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ABSTRACT

The tenth grade unit of the FICSS series (Focus on Inner City Social Studies -- see SO 008 271) deals with the political-economic systems in the United States. The first unit of the sequence focuses specifically on capitalism in a democracy. The document deals with both the theoretical and practical aspects of capitalism. The theoretical section examines the fundamentals of the political and economic systems; the practical examines the extent to which the theory is realized in practice. It is intended that pupils will ask questions concerning the what, how much, and for whom of production; who makes and enforces the rules; and how rules may be modified. From the learning activities, students become aware of the money system, the involvement of politics in capitalism, and specific areas of economics such as commodities, competition, Gross National Product, and government spending. The content of the unit includes a general introduction to the program and to the unit; essential source materials; knowledge, skill, and behavioral objectives; learning activities; and supplementary teacher and student resources. (Author/JR)

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CAPITALISM

GRADE TEN, UNIT ONE

10.1

according to the
"Comprehensive Social Studies Curriculum for the Inner City"
as developed by

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(Focus on Inner City Social Studies)
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Project No. 6090

June, 1971

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PROJECT FICSS

FOCUS ON INNER CITY SOCIAL STUDIES

Project FICSS is a Federally funded investigation sponsored by the U.S. Office of Education under Title III of the Elementary and Secondary Education Act. It began on June 12, 1968 and is to conclude in June 1971.

Purposes

According to the project proposal, the purposes of this investigation are:

1. to construct a K-12 inner city social studies curriculum.
2. to develop new materials and/or adapt available materials designed to implement the new curriculum, to field test these materials, and revise them as necessary.
3. to promote in selected central city school systems change in social studies curriculum and instruction which is in accord with the needs and problems of an urban society.

Organization

The grant was awarded to the Youngstown Public Schools in conjunction with four other northeastern Ohio school districts, Akron, Canton, Mansfield, and the Youngstown Diocese. Under the directorship of Dr. Melvin Arnoff of Kent State University, the original designer of the project, the five district social studies coordinators worked in concert to select a five-man team from each school district. These teams met together full time in the summers and part-time during the academic year. As a group they received the necessary input and participated in studies which helped prepare them for the challenging task of developing a social studies curriculum design for the inner city. In order to do this they needed to become knowledgeable in curriculum theory and the problems of the inner city.

Temporary Products

At the end of the first summer of study, some materials (units) were developed for use by the schools during the esuing year. These, However, are no longer in print since they were intended as temporary materials. They were designed to meet specific immediate needs in the direction of providing some modest corrections within the prevailing social studies curriculum of the participating schools to better balance the treatment of minority groups.

Developing the Curriculum Design

Following a series of conferences held during 1968-69 the unit writers from the five school systems had arrived at a tentative K - 12 curriculum design. This design was reviewed by lay and professional persons as well as a 60 man Board of Readers. It was subsequently revised and expanded to include more detailed outlines of the specific units of each grade level. The curriculum design was finalized on April 14, 1970. Even this design, however, has not been sacrosanct. As the writing of individual units progressed, it became clear that some units were part and parcel of others, some lacked sufficient content to stand on their own, and others could be better written by revising the intended content. The final design, therefore, is the product of investigation, speculation, review, and revision in accord with practical pedagogy.

Unit Development

As was indicated above, the forst products of this projest were temporary units intended as first-aid to the obviously unbalanced curricula of the participating schools. These are no longer available.

After the major portion of the curriculum design was completed during the summer of 1969, six units were developed to be classroom tested during the 1969-70 academic year. Sufficient data were collected on these units as they affected classroom achievement and attitudinal changes to permit judicious revision of the materials toward making them more effective in realizing the aims of the curriculum.

The major portion of unit writing was achieved during the summer of 1970. During this time, all of the previously prepared units were revised or modified to be in accord with the April 14, 1970 design. Approximately 50 of the 69 units of the K - 12 design were prepared by the end of the 1970 seven-week writing session. Thirty-six of these units were thoroughly edited and prepared for utilization in 108 classrooms in the five participating districts during the 1970-1971 school year.

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Evaluation

The effect of these materials was evaluated via a design developed in accord with guidelines specified by the Division of Research, Planning and Development of the Ohio State Department of Education. The design called for the administration of an attitude and an achievement test prior to and following the teaching of the first semester units at each grade level, grades 1-12. While the cumulative effects of these units was being evaluated in one set of classrooms, a modest idea of the effect of each unit was being gained through the administration of achievment post-tests following the teaching of individual units in a second set of classrooms. (Although a pre-test post-test design would have been preferred, fundamental and other considerations obviated this possibility.)

Refining the Curriculum Design and Units

After the first semester units were classroom implemented and evaluated, the data were analyzed and utilized in unit revision. The units developed for the second semester were used in many classrooms, however, complete data on the effectiveness of these materials were not collected due to financial restraints and the improbability of immediately utilizing the data for unit revision prior to the legally imposed concluding date of the Project, June 11, 1971. (A three-year project life-span is the maximum allowed under Title III.)

Utilization of the FICSS Curriculum Design and Units by Other School Districts

It is the firm conviction of theProject staff and unit writers that theFICSS curriculum makes a significant contribution toward developing a relevant social studies curriculum in Grades K- 12. Relevancy here refers to the ability of a curriculum to enable pupils to comprehend the front pages of the newspapers, to understand the variety of ethnic and national cultures and aspirations of the peoples of America, and to be able to deal intelligently with the public and personal issues which are germaine to all of these areas.

Consequently, every school system is encouraged to review the products of Project FICSS and, should they find materials in harmony with their view of what is needed in the curriculum, to use these in part or in total, to adopt and/or adapt them as they see fit. This way Project FICSS will truly have served as an exemplory project.

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INTRODUCTION

Scope of the Tenth Grade Curriculum

Of all the bases of power, those which take the form of economic and/or political systems are the most pervasive and demanding. We who cherish freedom must recognize that when one is born into a system it is difficult to recognize the freedoms and constraints which it allows the individual. Thus it is difficult to modify that system better to serve man. The smaller the institution, the more easily it is changed such as with the current experiments with modified family units. But these are individual or small group and thus do not demand national concurence to the values being sought by the 'deviants.' In the case of economics and politics, however, concensus or majority persuasion is necessary and thus very difficult to attain.

So long as our political and economic systems serve us well, there is little need to know the intracacies of their functioning. The problem is, that all political and economic systems, like all things human, tend to function and malfunction as they are affected by internal and external forces. Thus it is incumbent upon the schools to prepare citizens who are aware of the strengths and weaknesses of their political system, to be sure. But that is not sufficient. They must also be knowledgeable of the strengths and weaknesses of alternative political economic systems. Only in that way can they intelligently accept the best of 'foreign' ideas and reject concepts which appear to lead toward undesireable results. Thus they must know about representative governments with a modified capitalistic economy. Also they must know about representative governments with a modified socialistic economy. Finally they must know about an oligarchical form of communism such as might be practiced in the U.S.S.R. or China.

Specifically the units of this grade are:

10.1 Political-Economic: Capitalism (8 weeks)

10.2 Political-Ecomonic: Socialism (6 weeks)

10.3 Political-Economic: Communism (6 weeks)

10.4 World trade (6 weeks)

10.5 Modifying our Politico-Economic Realities (4 weeks)

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SCOPE OF THIS UNIT
10.1

The first unit of the tenth grade sequence deals with the political economic system with which the pupils are most familiar, capitalism in a democracy. The theoretical sections obviously deal with the fundamentals of the political and economic systems. The practical portion examines the extent to which the theory is realized in practice.

Like the other units at this grade it is intended that the pupils will ask the following basic questions concerning capitalism:

What should be produced and how?
How much should be produced?
For whom shall it be produced?
and
Who makes the rules?
Who enforces the rules?
How may rules be modified?

Knowledge of one's own political and economic system will enable the individual citizen to work toward its better functioning. Further knowing its strengths and weaknesses will aid the students to ward off unwarranted attack upon it and to avoid the apparently easy answer of 'now xyz system has none of these disadvantages.'

Introduction to a Unit Teaching Strategy Incorporated in FICSS Units

Suggested Teaching Procedures and Introductory Activities

Teaching Procedures

1. These units are based on a depth study strategy approach. It is felt that this method is consistent with the "learn by doing" theories of John Dewey which have been corroborated by Piaget.

2. The basic steps for this strategy consist of introductory activities conducted by the teacher which excite the interest of the student and cause him to ask questions about the new study. These questions serve as an introduction to the scope of the topic.

3. The students, working in groups, or individually, research the questions they have raised and categorized. Each student contributes to the committee work in his own special way and at the same time develops the ability to work in a group situation.

4. One of the most easily recognized trends in the development of recent thought in social studies education is that which is directed toward providing inquiry experiences for the pupil. In these experiences students would not necessarily be told the meaning of the data they would encounter nor would the data necessarily be presented to them. They would have to search for it and to bring meaning to that which they found. From this description, then, it is seen where the depth study strategy proposed here is in concert with the spirit of inquiry.

5. When the group prepares its presentation for the class, they have many occasions to review and restructure their information. After hearing each of the presentations the teacher leads the class in an overview and helps them gain perspective on the topic. The facts gained are used to develop hypotheses and generalizations. Again the facts and understandings are used to develop the culminating activity. Although each of these activities is somewhat different, they all are forms of review or reuse of acquired information. The student, then, is involved in no less than three opportunities to recall and use the new data. Each time, of course, the information is called for in a new context.

6. In a depth study approach, the teacher assumes the role of the structurer of learning activities. Also, however, the teacher is the most readily available resource person, both for process and content. The class could conceivably ask the teacher to talk to them about a specific topic or to discuss a film or filmstrip. If the teacher has had special experiences which are pertinent to the study, the class may call upon him to show slides or to deliver a special talk.*

*Information taken from a monograph by Dr. Melvin Arnoff.

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AN OUTLINE OF A
TEACHING STRATEGY INCORPORATED INTO FICSS UNITS

PHASE	PURPOSE
I. Introduction	Motivation of students
II. Raising Questions	Listing students' questions
III. Categorization of questions by students	Organization of ideas. Experience in critical thinking.
IV. Forming and Instructing Committees	Grouping for social or psychological ends. Placement of responsibility for learning upon the shoulders of students.
A. Tasks	To let student know they are defining, pursuing, and reporting their own study.
B. Roles	To aid students in identifying desired organizational schemes for small groups and to help them define the responsibilities and behaviors or leaders and group members.
C. Methods of Researching Information	To aid students in locating, recording, organizing and presenting information.

PHASE	PURPOSE
V. Information Retrieval	To allow students the opportunity to answer their own questions, to employ their library skills, to develop critical thinking and logical organization of data.
VI. Committee Reports	To develop and rehearse the presentation to the class.
VII. Perspective and overview	To hear the reports of each committee which has sought answers to the questions of the class.
VIII. Developing Hypotheses and Generalizations	To integrate the findings of the committee reports, to note trends, likenesses and differences when compared with other examples known by the students.
IX. Culminating Experiences	To study the information presented to discover some basic principles of the social sciences which may be operant.
	To gain further perspective and to enhance recall.*

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MINIMUM ESSENTIAL MATERIALS
(FICSS KIT)

The following materials are considered essential resources for students and teachers for the conduct of this unit of study on Capitalism and Democracy. The figures represent needs for a class of size 30. They should, of course, be modified to compensate for larger or smaller class size.

	Resource	Price	Teacher	Pupil	Committee
Theoretical Capitalism (Committee 1)	American Capitalism: An Introduction Leamer, Lawrence E. & Thompson, Dorothy L. McGraw-Hill @ $1.80	$ 9.00		5	1
Theoretical Democracy (Committee 2)					
Capitalism in Action (Committee 3)	Life on Paradise Island Warmke, R.F. & Wilson, W. H. Scott-Foreman @ $3.00	12.00		4	1
Democracy in Action (Committee 4)	Beginning Readings in the American Economy DeRyche, L. & Thompson, C.H. (eds) McGraw-Hill @ $3.00	15.00		5	1
Political-economic Problems (Committee 5)	Capitalism, Communism, Socialism Lowenstein, Meno Scott-Foreman @ $1.08	5.40		5	1
	Democracy Schultz, Ernest B. Borron's Educational Science, Inc. 113 Crossways Park Drive, Woodbury, New York @ $1.75	8.75		5	2

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Resource	Price	Teacher	Pupil	Committee
The Limits of American Capitalism Heilbroner, Robert Harper & Row (Better Students) @ $1.25	$ 3.75		3	3
Federal Economic Policy Congressional Quarterly @ $2.95	2.95	1		3
Today's Economics: Case Studies for Student Understanding American Education Publications @ 30¢	1.50		5	3
The Federal Reserve System, Purposes and Functions Cleveland Federal Reserve Bank or Board of Governors, Federal Reserve System	Free		10	3
Readings on Money Cleveland Federal Reserve Bank or Board of Governors, Federal Reserve System	Free		10	3
Your Economic ABC's Superintendent of Documents Washington, D. C. @ 20¢	1.40		7	3
Our American Government and How It Works Wright, Patman Bantam Books @ 95¢	4.75		5	4

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XI

Resource	Price	Teacher	Pupil	Committee
What You Should Know About Democracy and Why Scholastic Book Services @ 65¢	$ 3.25		5	4
Liberty under Law American Education Publications @ 30¢	2.10		7	4
U. S. A. From Where We Stand Ryan, Leo J. (ed.) Pearson Publisher, Lear Siegler, Inc. Education Division, Palo Alto, Calif. @ $3.75	3.75	1		5
Municipal Politics American Education Publications @ 30¢	2.10		7	5
The New Deal American Education Publications @ 30¢	2.10		7	5
Budgeting for National Objectives Committee for Economic Development 711 Fifth Avenue, New York, N. Y. @ $1.00	1.00		1	5
Fiscal and Monetary Policy for High Employment Committee for Economic Development 711 Fifth Avenue, New York, N. Y. @ $1.00	1.00		1	5

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Resource		Price	Teacher	Pupil	Committee
Profits and the American Economy Superintendent of Documents Washington, D. C. @ 25¢		$ 1.75		7	5
U. S. Economic Growth Superintendent of Documents Washington, D. C. @ 25¢		1.75		7	5
	Total	$79.80			

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OBJECTIVES

Knowledge

The pupil will know that:

1. The basic economic and political questions are common to all societies.

2. People living in different group arrangements must determine how they will make economic and political decisions.

3. The totality of economic and political decision-making is referred to as a political-economic system.

4. There are two models for making economic decisions; centralized planning relying on a planning agency; decentralized planning which relies primarily on a market system consisting of a chain relationship of individual demand and supply decisions.

5. The U. S. economy, although based primarily on the market concept, uses some aspects of centralized planning.

6. Most economies are mixtures of the two defined arrangements.

7. Theory is an effort to simplify and explain but application tends to force modification of some of the theory, especially in the areas of economic and political systems.

8. There are two well defined approaches to make political decisions:representative democracy which makes decisions through popularly elected associations; totalitarian government which centralizes decision-making in the hands of one or a few individuals.

9. Many societies make political decisions through hybrid forms of the two models.

10. Land (natural resources), labor, capital (machinery or tools), and enterprise (organizational efforts) constitute the factors of production.

Objectives Continued

11. Man must make an effort to obtain even the most basic goods or services because of the operation of the scarcity principle (unlimited wants exceed limited resources).

12. The basic economic and political cornerstones or principles that underlie our economic and political systems are economic freedom, private property, quasi-free enterprise, freedom of choice, competition, profit, market system, and the limited role of government plus people control of their government, political liberty, political equality, justice for all, and limited powers of government.

13. Representative governments tend to have legislative, executive, and quasi-independent judiciaries through which develop or affect many political and economic policies.

14. A service, although not a product, is an economic good.

15. The U. S. economy relies primarily on the market system to answer the basic economic questions, but now it relies on an increased role for government in the decision-making process because of the complexities of a technological society, social imperfections, or undesirable operations of the market.

16. Competition, is highly imperfect in the U. S. economy but it does exist, albeit in various forms including price competition.

17. The same elements which promote production efficiency also promote inefficiency in terms of long range effects on the ecology.

18. Both the market system and government determine how goods and services are distributed in the U. S.

19. A useful yardstick for measuring an economy's size and growth is the G.N.P. concept. There are strengths and weaknesses to the G.N.P. concept (see Content, Committee C, Section IV B 5 and IV C).

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Objectives Continued

20. A useful tool for analysis of an economy is macro-economics or studying economics by looking at the aggregate economic phenomena.

21. G.N.P. can be viewed in two ways: as the sum total of all expenditures paid for goods and services by business, government and the consumer; as the sum total of all costs of production (wages, rents, interests, taxes, depreciation, etc.).

22. The expenditure approach and the cost approach total the same.

23. The major component of the expenditure approach to G.N.P. which causes the most disproportionate change in G.N.P. is investment because of the operation of the multiplier.

24. The multiplier concept is also applicable to government spending.

25. The multiplier works in the direction of expanding as well as contracting the G.N.P.

26. The factors that contributed to the absolute and relative increase of government spending. (See Committee C, section IV D 5).

27. Budgeting by the federal government has a tremendous accelerating or braking influence on the total economy.

28. The various kinds of taxes that are used by the federal, state, and local governments in order to raise revenue. (See Committee C, section V).

29. The role of money is 1) to provide a common commodity, 2) to facilitate the exchange of goods and/or services, 3) serve as a tool for striving value, and 4) to serve as a standard of deferred payment.

30. Money assumes various forms other than currency in our society--these include time deposits, demand deposits, convertible assets, and liquid assets (securities, etc.).

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Objectives Continued

31. Banks provide places for safe-keeping of money and enable the "amount" of money to be expanded.

32. The amount of money that is available to the citizenry consists largely of intangible money or demand deposits which contract or expand several times the face value of the currency deposited.

33. The availability of credit is largely determined by demand deposits.

34. Deposit currency creation hinges largely on the percentage that the banking system keeps on reserve, either voluntarily or as a result of government action.

35. Deposit currency creation is influenced by the actions of the borrower.

36. An efficient central banking system is necessary for an expanding economy.

37. The Federal Reserve System is the central bank for the U. S. government and economy.

38. The Federal Reserve System's organization and operation are determined by congressional acts.

39. The Federal Reserve System is independent in terms of specific policy-making, governed by guidelines of congressional acts.

40. The monetary policies of the Federal Reserve System, which include both quantitative and qualitative tools, are determined largely by the Board of Governors of the Federal Reserve System.

41. Monetary policies influence the overall business climate of the country.

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Objectives Continued

42. The government has taxation and spending powers, discretionary and automatic, which influence greatly the total behavior of the economy. (These policies are called fiscal policies).

43. Discretionary fiscal policies involve changes in the tax rates in order to influence public spending in a particular manner or to change the budget to bring about greater or lesser spending in particular aspects of the economy.

44. John Maynard Keynes was the theorist that greatly influenced the change in governmental philosophy toward fiscal and monetary policies of the U. S. during the decade of the 1930's.

45. Economics, because of its increasing complexity and the ensuing role of government, cannot be isolated from the political system.

46. There may be (often is) conflict between economic and political principles.

47. The Employment Act of 1946 is a landmark legislative act in terms of the government economic role, even though it stated a goal of full employment which cannot be borne by the capitalist system without rampant inflation.

48. The Employment Act of 1946 created the Council of Economic Advisors, the Joint Committee on the Economic Report, and required the President to submit an annual economic report to the Congress (all these reflecting a changed role for government as well as a changing economy).

49. Many political issues are economic in origin and require resolution of conflicting interpretations of economic situations as well as social/economic philosophies.

50. The citizen is forced into the position of being knowledgeable on economic matters or subject to the rhetoric of politicians.

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Objectives Continued

51. The American voter is a pathetic politically for the following reasons: he feels powerless, he has a problem of being informed, he is confused by types of ballots and voting requirements, there is a lack of competitiveness of parties or candidates, in some locals there are discriminatory laws.

52. Law participation by the voter limits the representativeness of the American democracy.

53. Knowledge of the federal government's involvement in economic affairs is more important than local government because the federal government attempts to influence national economic activities by centralized decision-making.

54. A legislator can (and does) take various roles in terms of fulfilling his representative function.

55. The representative function is more complex than simply doing the people's will.

56. The basis for representation in the House of Representative is population, while equality of states is the basis for Senate representation.

57. Political parties, by commanding majorities in the two houses, control the organization of Congress and, depending on degree of control, the type of legislation eventually passed.

58. If there is "competition" in a district or state, "bloc voting" (group voting) can be highly influential in determining local winners as well as the make up of the legislature.

59. Interest groups can influence legislature activity by lobbying techniques and influence the election results, public opinion, and the news media.

60. The major criticisms of Congress center around seniority, committee chairmen, and the filibuster which tend to work for those from "safe" districts creating an inner congressional establishment which, according to the critics, favors the status quo.

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Objectives Continued

61. Probability of major congressional reform is limited due to the nature of American political parties, separation of powers, and the necessity of winning elections.

62. Congress plays a major role in economic affairs as a result of its role in federal spending, taxation programs, and programs set up for one purpose or another.

63. The President is elected by the people indirectly as a result of the operation of the electoral college.

64. There are major faults in the electoral college procedure which center around the possibility of a constitutional crisis with no one being elected or a minority candidate winning.

65. Presidents tend to interpret their function as chief executive either in broad or narrow terms thus influencing how they will exercise their duties and powers.

66. There are various roles a person assumes on becoming President: chief of state, chief executive, commander-in-chief, chief legislator, chief architect of foreign policy, and the leader of his party.

67. The powers of the Presidency have increased in the 20th century as a result of increased public demands on government, crisis of war and depression, necessity of quick action in some areas has led to congressional abdication.

68. Presidential powers in the area of economics include budgetary powers, veto powers over appropriations, influence on suggested legislation, congressional granting of powers, and the position of influencing public opinion or expressing a tone or mood for economic matters.

69. The steel price hike of 1962 and the ensuing J.F.K. "jaw-boning" of the industry illustrates one exercising of presidential power.

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Objectives Continued

70. The courts, particularly the U.S. Supreme Court and the other levels of federal courts influence economic matters by their interpretation of legislative acts and/or executive actions.

71. "Judicial Review", or the power to review acts of federal and state legislatures as well as Presidential acts stems from court precedents, some of which were in the area of economic affairs.

72. Appellate jurisdiction of the U. S. Supreme Court is more important that their original jurisdiction in terms of number of cases reviewed by the court.

73. The federal court structure, like state courts, is an hierarchy of local or district courts having primarily original jurisdiction, a system of appellate courts by districts, and a supreme court possessing both original and appellate jurisdiction.

74. Judges, both federal and state, are not above politics or partisanship; the latter being largely elected while the former are appointed by the President.

75. Congress influences the federal courts by the nature of the structure, number of judges, and the type of jurisdiction which they possess, and the power to approve or disapprove presidential appointments.

76. There are special courts, created by Congressional acts, to handle particular problems such as tax disputes, patent decisions, custom duties, military appeals, territorial justice, etc.

77. Decision in Youngstown Sheet and Tube vs. Sawyer 1952 illustrates not only the Supreme Court playing a role in the economy but a check on the federal executive as well.

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Objectives Continued

78. The nature of a Supreme Court decision can create controversy if there are divergent opinions stated.

79. A broad interpretation of the Preamble and general welfare clause, the control of interstate commerce clause, and the implied powers clause, provide a foundation for expanding influence of the federal government in the economic area, particularly when buttressed by favorable court decisions.

80. The problem of instability (inflation and recession) is an undesirable feature of the business cycle.

81. The major explanation for the business cycle is the change in total demand.

82. Inflation, which is caused by an expansion of money and credit most hurts the little fellow, or the limited income person, in the economy.

83. The major theories as to the cause of inflation are:
    1. Demand-pull-historically a condition resulting generally from wars which limit consumer goods, but increase the buying power of the individual which is exercised after the wars.
    2. Cost-push, or the result of the presence of big labor and big business which administer prices in a bilateral fashion.

84. The primary measuring device of inflation is the general Consumer Price Index (CPI) which is based on an averaging of key prices in certain cities of the country.

85. Monetary and fiscal policies can be used to negatively influence total demand.

86. Leadership by the President to bring about voluntary price and wage controls is limited.

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Objectives Continued

87. There is much debate and uncertainity over the effectiveness of wage and price controls as a means to curb inflation.

88. Since "full employment" was not defined and was not realistic, it has been interpreted to mean activity at a level at which 96% of those seeking employment are employed.

89. There are inaccuracies in the statistics which do not show fully part-time employment and those who are discouraged from seeking employment for one reason or another.

90. The economic costs of unemployment reach approximately $75 - $90 billion dollar loss in potential production, not to mention the social costs which have moral socio-political consequences.

91. Solutions to the unemployment problems as a result of the business cycle involve additional fiscal and monetary policies and include special programs for the unemployed such as guaranteed income.

92. Poverty, although difficult to measure or determine, tends to center around the inability of a family to satisfy basic needs of housing, health, food, clothing, and education which would enable the members to fully participate in American life.

93. In terms of dollars, poverty is somewhere between $3500 and $5500 per year for an urban family of four (70% of this for rural families) or 3 times the amount needed for food.

94. The poor include: the uneducated, large percentage of non-white, 1/3 of the aged over 65, agricultural workers of the South and Appalachia, 1/2 of the broken families with mother as head, people living in depressed areas, migrant workers, and those encumbered with health problems.

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Skills

The pupil will be able to:

1. Use the Reader's Guide in locating articles on appropriate topics such as poverty and its causes, Presidential Powers, the Employment Act of 1946, etc.

2. Figure hypothetical consumer price indices as a measurement of the inflationary rate.

3. Use the index to major newspapers such as The New York Times, Wall Street Journal, etc.

4. To separate opinions and editorials from report stories as a result of reading conflicting columns on the status of the economy as well as articles which relate statistics and other evidence of particular economic developments.

5. Locate probable pocket areas of poverty on maps as a result of poverty studies.

6. Use card catalog of library as a result of researching such topics as inflation, unemployment, etc.

7. Evaluate the performance of their congressional representative as a result of checking voting records of members of Congress.

8. Evaluate the performance of the economy based on a study of inflationary rates and unemployment statistics.

9. Use statistics as a basis for generalizing about unemployment, per capita income of certain groups, distribution of wealth, etc.

10. Use graphs to illustrate information on trends in unemployment, changes in the C.P.I., changes in amount or percentage spent on poverty, changes in the poverty level.

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Skills Continued

11. Assimilate data from various sources and draw conclusions.

12. Formulate and use tables to show such things as voting, behavior, model income patterns, etc.

13. Identify personnel in the community that could offer relevant information.

14. Weigh and evaluate conflicting solutions to problems.

Attitudes

The pupil will:

1. Believe that there is a relationship between political and economic problems as evidenced by their willingness not to attempt to isolate politics from economics.

2. Believe that poverty is a result primarily of social causes as evidenced by their willingness to offer solutions to the problems requiring social (governmental) action.

3. Believe that cooperation is essential to group progress as evidenced by a willingness to make and accept contributions of others and then apply to economic and political problems.

4. Recognize that an individual hampered by social evils must be assisted [illegible] in attaining basic needs as evidenced by proposals on how to assist one in need.

5. Appreciate the influences of inflation on a family's ability to satisfy basic needs as evidenced by suggestions on how to alleviate problems of these adversely affected during inflationary periods.

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Attitudes Continued

6. Accept the point of view of a fellow student as his right even though it shows glaring weaknesses in reasoning.

7. Believe that minority groups have a right to maintain their identity and culture if they choose to do so as evidenced by a willingness to offer suggestions on legislation, recognition of their special holidays, etc.

Behaviors

The pupil will:

1. Be responsible for carrying out his committee assignments related in the study of one of the five areas. (theoretical and practical capitalism and democracy, and problems of U. S. system)

2. Accept a role of leadership or secretary if peers wish him to assume such duties.

3. Be observant of appropriate behavior while other committees are reporting.

4. Be critical of conclusions made both by fellow committee members and other committees.

5. Voluntarily offer suggestions, on how to improve the efficeincy of his committee or other committees.

6. Take a positive approach to study as evidenced by not becoming involved in trivial problems or being sidetracked.

7. Offer to give help to fellow committee members as well as to accept their help when appropriate.

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Behaviors Continued

8. Tolerate errors of omissions in reports where it is apparent that a student does not understand a problem.

9. Accept differences on points of view as well appreciate physiological and emotional problems of students by not making fun of obesity, speech defects, hair styles, etc.

00029

STRATEGY	LEARNING ACTIVITIES	MATERIAL
I. Introductory Activities.	I. Suggested introductory activities.	
A. To interest the pupils in the study of major economic and political systems.	A. Role-playing situations.	
	1. A Boeing 747 jet, with 400 passengers, is blown 1500 miles off course by a tropical storm. The plane's radio fails and the large jet has to make a forced landing on an uncharted island beach. While the passengers and crew are only slightly bruised by the landing, they all face certain realities in terms of political and economic decisions. It could be days, weeks or even months before their position is located and they are rescued. There are emergency water and provisions aboard that will last for only three days. The weather is rainy and getting colder.	
B. To introduce the pupil to the basic political and economical questions that must be answered by any society.	In this situation, the 400 passengers are a microcosim of society--faced with the same problems of societies.	
C. To profide sufficient stimuli to evoke questions about how the basic questions are answered in the U. S. under a capitalistic economic system.	2. The pupils will need to design a political and economic system. They should attempt to do so, but most importantly, they should try to discover three basic questions they must answer in order to establish their economic system and three to establish their political system.	

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STRATEGY	LEARNING ACTIVITIES	MATERIAL
1. Introductory Activities (Cont.)	3. The questions which they should discuss: Who shall make the rules, how shall they be enforced, and how shall bhey be modified?-- are the political questions.	
	In order that the physical need of the group are supplied in the face of undiverted wants and a scarcity of resources, certain economic questions must be considered. What goods,(water, food, firewood, etc.) should be produced and how? How much should be produced? For whom shall the goods be produced? Survival of the group until eventual rescue will hinge on their ability to answer these questions successfully.	
	Using a standard list of occupations, assign or allow students to choose roles that they wish to act out, or let the students select the needed roles. The purpose of the class discussion should be to identify the basic political and economic questions, thus enabling them to create a political economic system. Answers to the questions should not (at this point) reflect any of the diverse political or economic ideologies but should be tailored to the island environment and crash situation. The teacher may act as an outside observer who may establish the range and limits on resources, available tools, etc.	
	The class may be divided into two separate "crash" groups seeing which one is better able to identify the necessary questions.	

00034

STRATEGY

II. Raising Questions

A. To pose the questions of interest to the pupils.

B. To structure the content of the unit.

LEARNING ACTIVITIES

MATERIAL

After the teacher has completed the introductory Activity, he should bring the focus of the classroom discussion to the question of answering the basic political and economic question in reference to the system in the United States with our ideologies of representative government and capitalism. The class should be encouraged to raise questions about information they are interested in knowing concerning capitalism and how the government and the economy enteract.

Some questions the students might raise are:

A. Why do we elect representatives to legislate for us instead of voting directly ourselves on major issues?

B. What factors make capitalism different from other types of economic systems?

C. How is money created?

D. How does government regulate monetary and fiscal controls over our economy?

E. What are some of the persisting unsolved problems in our political-economic system?

These are just sample questions. They are based on the content of the units. It is hoped and expected that the students will generate a list of at least forty questions that indicate their interests. The teacher can use the question formation activity to strengthen the students' ability to propose useful guidelines for their investigation of the problem. They will thus be able to gain an overview of the unit before they begin to work on answering specific questions or topic areas.

00032

STRATEGY	LEARNING ACTIVITIES	MATERIAL
III. Categorizing Questions		
A. To determine the number of committees needed to investigate the topics.	A. Although one cannot anticipate the exact questions students will raise and the categories they will devise for them, it is possible that the following categories will appear. These are not the only categories which can be used for organizing the study. Rather, they are those which the author feels are plausible and would serve as one way to organize the presentation of the content in this unit. Hopefully, the teacher will use those categories suggested by the students. The content materials of this unit are organized to conform with the categories listed below and committees could be formed to research each topic.	
B. To organize basic ideas that should be explored.		
C. To gain experience in critical thinking.		

TOPICS	COMMITTEE	CONTENT COLOR CODE
1. Theoretical Capitalism -----	Committee A ------	Pink Section
2. Theoretical Democracy-------	Committee B ------	Green Section
3. American Capitalism in Action----------	Committee C-------	Blue Section
4. American Democracy in Action----------	Committee D--------.	Yellow Section
5. Political-economic Problems-	Committee E-------	Pink Section

00033

Strategy	Learning Activities	Content	Material
IV Formation of and Instructions to Committees 1. To identify the necessary tasks of the committees	The students may wish to work in groups to pursue those topics which most interest them. The content might also be revealed through a more traditional approach but the FICSS unit writers believe it of great importance that pupils learn the skills and the problems associated with cooperative efforts. Thus they do recommend the committee as the agent for seeking factual information. The committee organization also allows for individual excellence especially as it is perceived as effecting group goals. Activities Discuss and decide on something like this: Class discussion concerning: 1. The tasks of a committee 2. The roles of committee persons. 3. How to find information.	A. Tasks of Committees 1. Organize committee a. Random choosing by teacher or students. b. Students rank choices on slips of paper. c. Student's choice on basis of their interest in subject matter to be explored. d. Using sociograms to achieve balance within a committee (may be homogenous or heterogeneous) e. Number selection-students in the classroom count off, 1,2,3, etc., all 1's on committee, all 2's second committee, etc. 2. Utilize class questions as starting point for planning committee work. 3. Add new questions suggested by committee members. 4. Assign research, find information, coordinate information, develop and present.	

00034

Strategy	Learning Activity	Content	Material
2. To determine desired roles in committee operation.		B. Roles in a Committee 1. Leader a. Help make everyone become a part of the group. b. Let everyone have his turn at the "good" group jobs. c. Get ideas from all members of the group. d. Let the group decide which ideas are best. e. Keep the group moving to get its job finished in the best way it can. f. Keep from being "bossy". g. Help your group decide what its job is. 2. Group Members a. Help the leader carry out plans. b. Do your share of the work. c. Work without disturbing other group members. d. Ask other members for their ideas. e. Select only those ideas which help the group do its best work. f. Cheerfully take the jobs the group wants you to do. g. Make other members of the group feel welcome.	

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Strategy	Learning Activity	Content	Material
2. To determine desired roles in committee operation.		3. Secretary a. Record group decision b. Verify motions and decisions c. Aid committee in coordinating research	
3. To identify sources for obtaining necessary information		C. Finding Information (See Section I) 1. Textbooks and books a. Use of index b. Use of glossary, appendix, map lists, illustrations 2. Encyclopedias a. Use of key words; letters on volume, index, class reference 3. World Almanac 4. Pamphlets 5. Pictures 6. Filmstrips 7. Charts, cartoons, posters, graphs 8. Records 9. Community Discussion possibilities for presentation: 1. Reports 2. Panel and round table discussions 3. Show visual aids 4. Make and show graphs and charts	

00036

STRATEGY

V. Information Retrieval

LEARNING ACTIVITIES

SUGGESTED INFORMATION RETRIEVAL ACTIVITIES

1. Read the Constitution and summarize the provisions that either regulate or are supportive of our capitalistic economy.

2. Investigate and determine the economic ideologies of organizations such as the U. S. Chamber of Commerce, National Association of Manufacturers, 4-H Clubs, Junior Achievement, etc.

3. Determine the historical origins of democracy as conceived in this country by using the encyclopedia, books on political thought, and general works on democracy.

4. Determine, through research, the essential differences between pure democracy and a representative democracy.

5. Interview a local councilman to determine how money is raised locally, how it is spent, how are local priorities determined, how dependent the local government is upon outside sources of funds, etc.

6. Invite a state or federal legislator to speak to the class or school assembly on the part they play in legislating on matters affecting the economy.

7. Invite a local banker or representative of the Federal Reserve System to discuss matters concerning money, credit, monetary controls, inflation, etc.

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STRATEGY	LEARNING ACTIVITIES
V. Information Retrieval	8. Conduct a survey among local industries, employment agencies, welfare agencies, and government offices to determine the local level of unemployment.
	9. Arrange for the class to visit a meeting of the local legislative body.
	10. Have students contact federal agencies such as the Department of Labor, Department of Commerce, Budget Bureau, Federal Reserve System, the Treasury Department and others to secure current economic information and statistics.
	11. Have students utilize the Reader's Guide to Periodical Literature to locate pertinent articles on their topics in magazines such as Fortune, Business Week.
	12. Utilizing a tape recorder, students could interview a stock broker to learn how the stock market operates.
	13. Students could develop a Community Resource Booklet on Health and Welfare Services available locally.
	14. Students may write the major political party national committees for information on each party's economic position and goals.

00038

STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee A Theoretical C Capitalism	I. Basic Economic Questions 1. Why have an economic system? 2. What (and how much) is going to be produced? 3. How are resources (land or raw materials, labor, capital, or tools, enterprise or human motivations) going to be allocated? 4. What factors will provide efficiency of use of resources? 5. How are the goods going to be distributed? 6. What regenerates the system? What motivates it onward? 7. What are the limits to economic power? 8. How does the system regulate and adapt itself to changing circumstances? II. Basis Foundations of the System (Philosophy) A. Basic premise - man left alone to freely satisfy his wants and needs will be able to do so adequately and efficiently. There is, supposedly a strong correlation between economic and political freedom. B. By satisfying one's own economic needs and wants, man in turn helps the overall development of society-as one satisfies himself, a good or service is provided for others within the society. C. This system supposedly plays on and utilizes certain universal tendencies of man: 1. Man is selfish and will work for his self interest. 2. Man is highly individualistic. 3. Man likes to accumulate material things. 4. Man desires an environment to provide for himself.. 5. Pride and achievement are basic motivations of man and are provided by this system.	

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STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee A Theoretical Capitalism (Cont.)	D. There is no central body to make man's basic economic decisions since each individual working to resolve his own problems will result in the development of an interdependent system that works efficiently without central guidance. III. Cornerstones of the Capitalistic System A. Economic freedom 1. Freedom in terms of choice of vocation. 2. Freedom to set up private businesses. 3. Freedom to use resources for private or individual gain. 4. Freedom to acquire and use economic goods and services. B. Private property 1. Right to acquire and own goods and capital and use these for business purposes. 2. Freedom to buy and sell goods and services. 3. Freedom to negotiate contract of labor and services. 4. One's labor is private property and can be 'sold' at the discretion of the owner. C. Freedom of enterprise. 1. Individuals are allowed to use private wealth (ownership) in an attempt to satisfy human wants and needs. 2. Legal obstacles to the setting up and operating of business are few. D. Freedom of choice. 1. Owners-freedom to use capital as the owner sees fit. 2. Laborers-free to acquire jobs of their choice with the only limitations being in the physical and mental abilities.	

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STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee A Theoretical Capitalism (Cont.)	3. Consumers-free to buy or not to buy goods and services offered for sale. E. Competition-the exercising of freedom of choice will lead to competition. 1. Large numbers of buyers and sellers must be present. 2. There must be freedom for the buyers and sellers to enter and exit the market as they please. F. Profit. 1. There is a reward for taking chances in the organizing of resources in order to satisfy human wants and needs. 2. The profit is an incentive to motivate human activity. 3. There is no guarantee of success so the possibility of less is present thus motivating continually the entrepreneur to satisfy the individual consumer quickly and efficiently. G. Markets and prices. 1. System of markets (not a place but the relationship of buyer and seller operating freely) makes the basic decisions. 2. Prices of a commodity or a service results from the two-pronged nature of the market system (demand and supply) operating freely. 3. Resources are allocated as a reslut of prices. 4. Decisions made by the market apparatus (demand and supply) also are implemented by the system without any central decision-making authority. H. Limited role of government. 1. System is supposedly self-sufficeint, no government needed to make the decisions that can be made by the market.	

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STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee A Theoretical Capitalism (Cont.)	2. Government function is not to interfere in the market except to "remove" obstacles to the operation of the market. 3. Government's role is primarily in providing a common currenty, uniform standards of measurement, and a political environment conducive to the operation of a market economy. IV. Theoretical application of the capitalistic system (how the system actually work). A. Why must there be economic systems? 1. Because of the problem of "economizing" which is common to all societies requiring a decision-making process to decide the basic questions in view of the universality of wants exceeding natural and human resources that are capable of satisfying these wants (someone or something has to made decisions among alternative possibilities). 2. Man does not exist alone in all but the most isolated cases (hermitry) and is thus interdependent economically and politically. 3. There are limitations to economic self-sufficiency. B. The basic questions (what and how much, how, for whom) as supposedly answered by theoretical capitalism. 1. Most if not all of the cornerstones of capitalism should come into play for each of the questions and aid in the decision-making process. a. What (and how much) will be answered by a combination of Economic Freedom, Freedom of Choice, Private Enterprise, Markets and Prices, and others.	

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STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee A Theoretical Capitalism (Cont.)	b. There is an interaction of the cornerstones and certain activities should ensue: 1) Producers should respond to consumers' demands if there is Economic Freedom and the possibility of Profit. 2) The producers, as well as the consumers, in responding to demand have several options if there is Freedom of Choice. 3) The factors of production (natural resources, labor, capital, enterprise) will be brought into use and used efficiently if there is the possibility of Profit and Private Enterprise. 4) The resources will be properly allocated for the desired products and services by the Market System and Prices. c. <u>How</u> will be answered by a combination of Profit Motive, Competition, Freedom of Choice, and others. 1) The profit motive should provide the necessary incentive to a producer to go beyond the norm to get things done most efficiently. 2) Competition will force the producer to allocate resources in order to provide the consumer with the desired product or service at the lowest price. 3) Freedom of choice makes possible alternatives to the consumer, as well as the producer: the former can exercise demand at his discretion, maybe even changing it completely while the latter can choose to answer the demand in various ways or not at all, development or technology.	

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STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee A Theoretical Capitalism (Cont.)	d. Who will get the economic good (one that takes human effort to obtain and is not free)? Determined largely by Freedom of Choice, Markets and Prices, Competition, Profit, and the individual's ability and willingness to exercise demand. 1) Freedom of Choice gives the buyer the power to exercise alternatives of buying or not buying: the seller also may be unwilling or unable to exercise his alternatives in providing the product of service. 2) Markets and Prices-consumer and seller freely "megotiate" an exchange price for the good or service. 3) Competition and Profit-nature of competition and percentage of profits influences the willingness of the entrepreneur to supply at such a price that those items requiring great human effort and resources will be distributed to those willing and able to pay a relatively high price, while those items requiring little human effort and resources will be distributed at a relatively low price. e. What will generate the system to higher attainments? 1) Freedom of Choice provides an inherent change vehicle because what can be wanted by man is unlimited, thus there will be a constant push for more and better products by the consumer. Consequently the producer will be under constant pressure to satisfy the changing wishes of the consumer. f. What limits are there to the attainment of economic power? 1) Legally, there are no limits to the attainment of economic power but because of a large number of buyers and sellers in a competitive arrangement, there will be an adequate and just disbursement of economic (as well as political) power.	

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STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee A Theoretical Capitalism (Cont.)	g. How (why) does the system regulate and adapt itself to changing circumstances? 1) Competition provides a motive for adapting to changing situations as well as to provide a form of self-regulation for each of the producers by the presence of many competitors. 2) Profit provides an incentive to change. 3) Freedom of choice provides unlimited options for change since it is impossible to predict what the consumer will want as well as the ability of the producer to supply. V. Conclusions on theoretical capitalism. A. Supposedly this system will: 1. Resolve the basic economic questions quickly and efficiently. 2. Provide for basic human needs and wants and still provide great economic freedom. 3. Make the most out of natural and human resources in relation to human wants. 4. Provide for change, adaptability, flexibility. 5. Maximize human tendencies in order to provide great abundance.	

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STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee B Theoretical Democracy	I. Basic Political Questions. 1. Who makes the rules? 2. By whom are the rules applied? 3. What process of rule adjutication is provided? 4. What are the limits of political power? 5. What political ideas are institutionalized? II. Representative Democracy (Republic) Model. A. Definition of a representative democracy-a political system in which the people control their government through popularly elected representatives. 1. Power is limited and those elected are responsible to and responsive to the wishes of the majority of the people. 2. Minority rights are provided and the majority accepts and tolerates various forms of legal opposition B. Basic concepts propagated. 1. Governments should exist for the benefit of mankind. 2. The only governmental form that is responsible to the wishes of the citizens is one chosen by the people and subject to their control. 3. Political liberty- a. Unorthodox or differing opinions are freely presented without legal, social or economic penalities. b. Political liberty may be measured by the margin of unorthodoxy tolerated in that society. c. Political liberty to be exercised through: 1) The ballot bos. 2) All forms of communication media. 3) Peaceful assembly. 4) Petition.	See Ebenstein: The Isms

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STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee B Theoretical Democracy (Cont.)	4. Political equality of citizens. a. Equal voice in determining who governs by having equal voting power (differences in wealth, education, social status are supposedly negated by this feature). b. All citizens have the legal right to attempt to hold political office. c. Laws passed are fair and unbiased. d. There is equal and impartial enforcement of the laws. 5. Justice for citizens. a. Operation of the political system grants to each individual: 1) Opportunity to share in the material and social benefits of that society. 2) Opportunity to pursue aspirations with the only limits being the ability and motivation of the individual in question. 6. The powers of government are limited by: a. The people operating through the election machinery that they have determined. b. Institutional and other impersonal safeguards built into the system by the people. 1) Constitutions 2) Court systems 3) Institutions C. Institutions basic to the representative model. 1. Legislatures. a. The duly law-making body of the people. b. Elected by the people on a fair and equitable basis. c. Responsible and responsive to the wishes of the people.	

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STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee B Theoretical Democracy (Cont.)	d. Legislative powers subject to review by the people through frequent elections, fair enforcement, and judicial review. e. The average citizen can seek and attain a public office. 2. Executive or administrative body. a. Responsible and responsive to the people directly or to their elected representatives. 1) Popularly elected executive (presidential form) 2) Parliamentary or cabinet form (the legislatures choose the executive). b. Powers of the executive are checked or limited by law, the vote of the people, the relationship to other political institutions. 3. Adjudication body. a. Works for the fulfillment of the basic concepts propagated by the society as well as justice, regardless how elusive. b. The courts are free from partisan and special interest influence in order to fairly and impartially resolve disputes between men (civil) and between man and society (criminal). c. Judges and courts are not above the law, however. III. Conclusions (questions answered). A. Who makes the rules? 1. The people indirectly through their popularly chosen representatives who respond to the wishes of the people. 2. All people are given equal access to the election machinery as well as to the channels through which information is disseminated in order to attempt to influence public policy.	

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STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee B Theoretical Democracy (Cont.)	B. To whom are the rules applied? 1. To everyone equally without regard to advantages that would be incurred by wealth, social or economic status, position held, or to special abilities. 2. There are no favorites in rule enforcement and no special advantages to anyone or group. C. Process of rule adjudication? 1. Disputes between individuals and between individuals and society are resolved by a free and impartial adjudicative body guided by the fundamentals propagated by the society. 2. Justice, as related to the relationships of individuals, and individuals and society is achieved by the court system. D. What are the limits of political power? 1. The representative nature of the system would inherently limit political power. a. Lawmakers are elected by and are responsible to the people . b. Laws are properly enforced and fairly adjudicated. c. Separation and "balance" of power between (among) branches of government on a functional basis tends to limit and disburse power. d. A system based on the popular will of the people has a built in tendency to change in order to respond to the wishes of the public which change with conditions as well as promote changes.	

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STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee C American Capitalism in Action	I. The Basic Questions. 1. Why have an economic system? 2. What (how much) is going to be produced? 3. How are resources (land or raw materials, labor, capital or tools, enterprise or human motivations) going to be allocated? 4. What factors will provide the efficiency of use of resources? 5. How are the goods going to be distributed? 6. What regenerates the system? What motivates it onward? 7. What are the limits to economic power? 8. How does the system regulate and adapt itself to changing circumstances?	See Heilbroner's The Economic Problem Also appropriate sections in Samuelson, McConnell and others.
	II. The "Economizing" Problem. A. Problem Defined-goods and services are "scarce" in relation to human wants and the availability of resources to provide all these wants. 1. Need-something that a person must have. 2. Want-something that a person does not have to have to exist but desires nevertheless. 3. Wants and needs are somewhat relative to the society in which people find themselves. B. The economizing problem illustrated by a need. 1. Need a. Man must have water for personal use. b. Increasing population. c. Increasing uses for water. 2. Want a. Man devises new methods to use water thus increasing the desire for	

STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee C American Capitalism in Action (Cont.)	b. Water sources are abused by man such as in mercury pollution. c. Effects on the totality of man's environment are highly undesirable and ultimately self destructive to all forms of living organisms. C. The problem articulated 1. Can the amount or availability of water be increased or is there a relatively fixed supply? 2. How can the water supply be most efficiently used to satisfy human wants and needs? 3. Who (what) is capable of making these decisions relative to such a vital question? 4. The interrelationships of all these basic questions point to a basic economic and political interdependence of man in industrial societies. 5. Resolution of questions in an interpendent society calls for the creation of an orderly process to answer the questions. III. How the American Economic System makes the basic questions. A. What goods and services will be produced? 1. The market a. Market defined-a situation in which buyers and sellers interact to make transactions. b. Demand-(the buyer's side of the market)-the expression of a willingness and ability to buy or demand, in the economic sense, a good or service. c. Supply-(the seller's side of the market)-the expression of a willingness and capability of providing a product or service to the consumer.	

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STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee C American Capitalism in Action (Cont.)	2. <u>The market system</u>-the bringing together of the countless demand and supply situations (somewhat analogous to a chain). a. A social arrangement of giving and receiving signals thus supposedly giving the consumer great voice in determining what goods and services are produced. 1) The power of the consumer is not direct but indirect in the sense of approving of disapproving decisions previously made by the producer who has guessed what consumers want and tries to either satisfy these wants or to modify them through advertising. b. Not all production of goods and services result from the operation of the demand and supply relationships (the market system). 1) Government, of all levels, decide approximately 20% of the total goods and services produced during the course of a fiscal year (commonly referred to as GNP) for social purposes such as defense, education, highways, welfare assistance programs, etc. 2) Governmental decisions enter the market thus affecting both producers and consumers in their demand and supply relationships.	

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STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee C American Capitalism In Action (Cont.)	B. How are resources (natural resources of land, labor, and capital) going to be allocated most efficiently in order to make or provide the necessary as well as desired economic goods and services wanted by a society? 1. Competition, an outgrowth of the market system, will supposedly lead to proper and efficient allocation in order to maximize a firm's competitive and profit possibilities. a. The above assumption might be valid if there were perfect competition or a very high degree of competition. b. Perfect competition-a situation in which no buyer or seller can buy or sell in sufficient quantities as to affect the price; there is also perfect market knowledge (both buyers and sellers are fully informed of the conditions of the market). 2. U. S. Economy is one of imperfect competition (there is not perfect market knowledge and there are insufficient number of sellers, and in some cases buyers, the consequence being the ability of a few producers to exercise a disproportionate influence on resource allocation as well as price. a. Oligopolies-many markets are controlled by a few sellers such as auto, tire, space, T.V., most home appliances.	

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STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee C American Capitalism In Action (Cont.)	b. Monopolies-both legal and illegal exist thus modifying the market system. c. Conglomerates-a relatively new type of business combination of diverse products of services that makes possible corporations getting bigger and still not being (supposedly) monopolistic or violating anti-trust laws. Do congdomerates violate the intent if not the letter of the law? d. Other corporate business combinations such as holding companies, interlocking directorates, consolidations, mergers, and international cartels. e. Few buyers for particular products or services also affects the market and makes it imperfect. Examples are military procurements, space programs, dam construction, superhighways, etc. 3. Ways in which U. S. businesses do compete. a. Limited price competition-often insignificant or offset by concealed costs. b. Advertising-motivates the consumer to buy a particular product for real (product is superior) or imaginary reasons (you need it socially). c. Product differentiation-packaging product in a particular way to gain the attention of consumer, or to modify product by additives to somehow make it different and innovative. d. Marketing services-offered to the consumer in order to make shopping or other functions less inconvenient.	

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V. Information Retrieval

Committee C

American Capitalism In Action (Cont.)

e. Substitute competition-producers of substitutes such as synthetics and cotton or wool fabrics compete somewhat.

f. Discretionary income competition-affluency makes possible income for money above the basic necessities so there is some competition between producers of dissimilar products such as power tools or a vacation.

4. Promoters of efficiency.

a. Profit motive-private ownership of the means of production in risk situations leads to an attempt to be efficient with the means of production in order to justify the possibility of losses.

b. Specialization-interdependence of man leads to the possibility of people becoming expert at a particular task. Total production is generally increased as a result of these specialists being brought together (in our economy, the market brings specialists together).

c. Capital accumulation (real capital are tools or machines used for production)-all systems must accumulate real capital for real economic growth; in the U. S., this accumulation is generally done voluntarily by individuals and corporations saving a portion of profits for investment purposes. If there is no real capital investment, there will be no real growth.

The policies of government, particularly the federal government can encourage or discourage capital investment.

d. Economics of mass production-large production processes have some advantages resulting from the scale of operation. Overhead and other costs can be better spread, thus leading to more efficient use of capital and operating funds.

00055

STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee C American Capitalism in Action (Cont.)	e. Improved technology, education, basic science-knowledge of resources tends to increase effectiveness of resource allocation and efficiency. C. How are goods and services distributed? 1. Determined largely by the market system and governmental decisions. a. Consumer demand or the ability and willingness to buy which is largely determined by a person's income, the availability of credit, tastes (personal and custom) and advertising. b. Producer supply or the willingness of people to supply products or services in light of costs related to the replacement of depreciated capital, buying new capital, the profit squeeze, the availability of credit, predictability of the market, degree of competition. c. Governmental decisions related to expenditures in light of income from taxes and borrowing. 1) Governmental expenditures at all levels in the U. S. account for roughly 20% of the total GNP. 2) Governmental decisions on taxation limits the demand of individuals and corporations while at the same time increasing the demand of others by providing services and monetary assistance through transfer payments (Social Security, Veteranns' pensions, etc.) 3) *Governemntal decisions on the federal level, relative to taxation and budgeting, are attempts to promote some desired response in the overall performance of the economy, thus affecting all the basic economic questions.	

00056

STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee C American Capitalism in Action (Cont.)	d. Ability and willingness of foreigners (consumers, businesses, and governments) to make market decisions here in the U. S. IV. Macroeconomics as a tool for analysis of our economic system. A. Definition-macroeconomics is an approach to studying economics by looking at the aggregate economic phenomena and processes (the big picture) as opposed to microeconomies which begins the analysis from the actions of individuals or firms. B. What does the economist see from the macro approach? 1. Material wealth of nations and the components of that wealth. a. Equipment-machines, factories, consumer durables, inventories. b. Structures-institutions of all types. c. Land-natural resources. 2. The results of the use of wealth or the production of a society (the flow of production which is the result of the combining of man's energies and his man-made environment). a. Goods and services are produced. b. Goods and services may exit from the market if they are used for the consumer's satisfaction. c. Some goods are not consumed all at once and remain a part of the production process (capital goods). 3. Attributes of the economic system. a. Circulatory or self-renewing or self-feeding nature of the system. b. Revelation that all economic systems must choose between production for consumption and production for future production (investment). c. Level of investment is determined by level of savings or the output that society refrains from consuming.	

00057

STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee C American Capitalism in Action (Cont.)	4. A way of measuring the total production of an economic society-the GNP or the total dollar sum of the final goods and services produced in a given year. a. Final goods-goods are enjoyed by the consumer and exit the market system, or goods accumulated as new or replacement capital. b. Categories of final goods going to a final consumer: 1) Net exports-those goods that leave the country in excess of those that enter the country. 2) Gross private investment(domestic)-savings that are used for investment purposes deomestically. 3) Government purchases of goods and services. 4) Public consumption. c. The expenditure formula for GNP-public consumption (C) plus gross private domestic investment (I) plus governmental expenditures (G) plus net exports (E). GNP formula simplified - C + I + G + E = GNP. 5. Strengths and weaknesses of the GNP concept as it is used to measure the performance of our economy. a. GNP refers to the flow of production on an average annual rate. It should not be pictured as constituting a given sum of wealth at any moment of time. b. GNP deals in dollar values, not in physical units, thus leading to several problems: 1) Comparing dollars of unequal value due to changes in buying power. One must find "real" GNP which is the sum of all goods and services...after price adjustments.	

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V. Information Retrieval

Committee C

American Capitalism in Action (Cont.)

2) Population changes not considered-rate of growth of population in terms of real GNP growth.

c. GNP does not necessarily relfect the quality of output chsnges.
1) The quality of some goods and services may have improved while others may have deteriorated.

d. GNP does not reflect the purpose of production.
1) Is the purpose of GNP for education, military use, space exploration, research of diseases, etc.
2) GNP gives only a rough indication of changes in quality of life.

e. GNP does not include most goods and services that are not sold in the market.
1) Housewife or household services that are not compensated.
2) Paid rent goes into GNP but no rent figured for these that own their own homes.
3) Gardens and other services provided by oneself to oneself or family and are not recorded as market transactions.
*See-Toward a Social Report, published by HEW in 1969.

C. GNP can be stated in terms of Cost of Production (which becomes income to someone) as opposed to the expenditure approach described above.
1. Expenditure approach to GNP = C + I + G + E.
2. Cost approach to GNP = F + T + D.

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V. Information Retrieval

Committee C

American Capitalism in Action (Cont.)

a. Factor costs (F)- income payments or wages, interests, rents, etc., that were costs to the producer. Material costs are really factor costs to other firms in the production change. F is really the nationa' income or aggregate value added to the economy.

b. Tax costs-indirect taxes levied on the enterprise itself or on actual phusical output (real estate, sales taxes, etc.). Income taxes are not a cost of production. T - indirect taxes paid by the producer for production.

c. Depreciation or the gradual deterioration of machines and equipment.

1) Figured as a percentage.

2) Replacement necessary thus creating a flow of spending.

3. GNP=F + T + D; GNP= C + I + E; Therefore F + T + D = C + I + G + E

4. Self-producing model or one in which C + I + G + E = F + T + D is one in stationary equilibrium (knowing no boom, bust since demand equals spending).

D. Problems related to the Expenditure Components of GNP (C + I + G + E)

1. Consumption in relation to GNP.

a. C is largest category of GNP by far.

b. C is the most stable of the expenditure components.

c. C is capable of considerable fluctuations as a proportion of GNP.

d. C alone will not provide the necessary impetus of demand total although it totals 2/3 of GNP.

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STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee C American Capitalism in Action (Cont.)	2. Not all income goes into consumption, some is saved which if it does not go into investments, results in a demand gap causing a shrinking of the GNP. a. Alternatives to offset the savings dilemma. 1) Businesses can icnrease their expenditures by borrowing through bonds ro by attracting new money capital by issuing new stocks. 2) Government can increase its expenditures by borrowing through the sale of bonds or simply borrowing from commercial banks. 3) Businesses can increase its expenditures by using past accumulated savings. 4) Government can increase its expenditures by additional taxation. 3. Predictability of consumption. a. Long run-no increase in percentage of income saved. b. Rich families do save more, (percentage wise) than do poor families. c. As an increased percentage of families move into a higher income bracket, they do not save proportional more of their income due to Social Security, pensions, desire to keep up with the Joneses. d. The relationship of consumption to income is known as the propensity (average tendency) to consume or the consumption function. 1) More important is the marginal (extra) propensity to consume which shows the relationship of spending to extra income. This enables the economist to predict what will probably happen to spending if there is extra ancome.	

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V. Information Retrieval

Committee C

American Capitalism in Action (Cont.)

2) Consumption changes mirror income changes since consumption is dependent on income.
3) The reciprocal of spending is savings.

4. Investment (the activities that use the resources of the community to maintain or add to its stock of capital wealth).
   a. Categories of investment.
      1) Inventories-goods held by consumers; very volatile.
      2) Equipment-tool type of material to be used for the production of other goods.
      3) Residential construction.
   b. Small changes, as shown by history, in the level of I spending cause disproportionate changes in total GNP. Why? The Multiplier (additions in spending, or diminutions in spending, have an impact on income that is greater than the original increase or decrease in spending itself).
      1) Calculation formula for the Multiplier: to find the change in income, find the multiplier (M) and multiply it times the change in investments.

$$M = \frac{1}{\text{marginal propensity to save (mps)}}$$

*the effect of $1 billion increase in I, assuming the mps to be 1/5 would be $1 \times \frac{1}{1/5} = 1 \times 5 = 5.$

      2) The multiplier works in downward fashion also. The failure to offset a small savings gap can snowball into a serious fall in income and employment.

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STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee C American Capitalism in Action (Cont.)	3) The multiplier principle may be applied to any form change in spending. 4) Idle resources brought into play works the same way. c. Motivation for investment expenditures? - Unlike consumption spending which is directed at satisfaction of the person, investment spending is based on expectations of profit. d. Induced investment-increased investment caused by rising consumption. e. Accelerator principle-a change in consumer demand tends to lead to proportionate greater change in capital investment. f. The accelerator and the multiplier may complement each other as in the case of the Kennedy tax decrease. g. Accelerator yields its leverage or effect on output when we do not have unemployed capital. h. Autonomous investment-prior consumption demand had no influence on the decision to invest. i. The determinants of investment. 1) Rate of return-marginal efficiency of capital (is it higher than interest rates?) 2) Increases in consumption which may induce investment. 3) Expected levels of new inventions, techniques, discoveries, etc. 5. Government expenditures have grown phenomenaliy, both in absolute and relative terms. Government expenditures now total 20-25% of the total GNP.	

00063

STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee C American Capitalism In Action (Cont.)	a. Reasons for the growth in government expenditures (and taxation which largely financed expenditures): 1) War and national defense-roughly 70% of the federal government's budget goes to the cost of hot and cold wars directly and indirectly (weaponry, veterans' benefits, interest on the national debt, etc.). 2) Wider range of government services-with an increase in the standard of living, the public demands and expects more and better government services. Examples of such expenditures can be found in Social Security, unemployment insurances, Medicare, and welfare benefits. 3) Population increases-civilian expenditures such as government outlays on roads, housing, sewerage disposal, public education, etc. have increased as a result of population growth. 4) Inflation-rising prices also effect governments and they at all levels have to spend a greater sum on given quantities of goods and services. b. A look at the levels of government expenditures. The states have always been least important of the three levels (federal, state, and local). Before WWI, local government was the most significant because it performed most governmental functions and received the largest share of revenue. Since WWII and the early 1940's, federal government expenditures have been greater than local and state spending combined. Until recently, however, local and state spending exceeded federal nondefense spending.	

00064

STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee C American Capitalism in Action (Cont.)	c. Purpose of state and local expenditures? Largely for socially beneficial goods that private enterprise does not supply in sufficient quantity because of inability to supply or unwillingness to supply as a result of risk not being commensurate with profit potential. 1) Education 2) Public health 3) Streets and roads 4) Providing other vital services that are not profitable for private business such as public transportation. d. Federal spending and budgeting. The federal budget is an estimate or forecast of total expenditures and sources of revenue for a fiscal (accounting) year. The budget may be highly inaccurate because of changes made by Congress in specific areas, the relevance of future business conditions, inflations, etc. Unlike local and state budgeting, the federal government attempts to influence and bring about particular results by spending in certain areas as well as to use deficit spending or surplus budgets. e. Federal government expenditures: 1) National defense-the major outlay for the federal government since WWII; sometimes as high as 80%. 2) Natural resources-expenditures in the area of TVA and the St. Lawrence Seaway, etc. Now the problems of ecology will be much more important and must receive a greater percentage of the total budget.	

00065

STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee C American Capitalism in Action (Cont.)	3) Agricultural expenses-parity and subsidy payments made to the "farmer" supposedly because of the wide fluctuations in farm prices, the weak bargaining position of the farmer, the inferior position of the farmer in relation to industrial and other workers. 4) Social security, welfare, and health programs-these expenditures also include welfare aid to the aged, needy, handicapped and blind, outlays for education and public health. 5) Commerce and housing-public housing, costs of regulating business, and highway construction. 6) Other expenditures-such as the cost of operating the government in terms of wages, salaries, etc. V. A look at taxation. A. Taxation is the primary method by which the government gets access to real economic resources (land, labor, etc.). 1. State and local taxes. a. Major source of local is the property tax which is a tax on the assessed value of real estate. b. Taxes on gasoline. c. Sales tax based on a percentage of retail sales. d. Some states have a tax on income which is usually uniform for all. e. The major articism of state and local taxes is that they tend to be regressive or the tax burden falls disproportionately on low income groups. 2. Federal taxes. a. Personal income tax-levied on the net income of households and unincorporated businesses. Tax is normally collected by the employer or withheld from the pay.	

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STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee C American Capitalism in Action (Cont.)	The basic feature of the tax is that it is progressive or progressively higher tax rates are applied to higher income brackets. This feature somewhat redistributes income. b. Corporation income tax- next to the personal income tax, it is the largest source to revenue for the federal government. Rate is 48% on profits above $25,000 and approximately 30% on profits below $25,000. c. Estate and gift tax-highly progressive but provide little, percentage wise, of the revenue to the government. d. Capital gains tax- a tax on the profits an individual or a corporation makes from the sale of an asset, which he has owned for at least 6 months previous to the sale. The tax rate is 1/2 of the person's regular rate up to a maximum of 25%. This is considered a major loophole because it enables the wealthy to convert income to capital gains thus avoiding the higher progressive rates. e. Sales and excise taxes-sales tax on special items such as liquor, cigarettes, cars, etc., is an excise tax which is highly regressive. There is no general federal sales tax. 3. Are taxes efficient? a. incentives-does the tax rate encourage or discourage individual incentive. Are additional efforts commensurate with the after the tax earnings? b. Business conditions-do the taxes reflect business conditions? Do the taxes and tax rates encourage or discourage economic growth in times of slumps? c. [illegible]	

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STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee C American Capitalism in Action (Cont.)	c. Automatic stabilizing features-do the taxes and tax rates help fight over expansion (inflation) or economic recessions? Note regressive and progressive features of taxes. 4. Philosophies of taxation in the American economy. a. Ability-to-pay principle-those individuals and businesses with larger net incomes should pay absolutely and relatively more taxes in order to shift burden. b. Benefits received-according to this principle people should be taxed in proportion to the benefits they receive from the goods and services of the governement. For local government (gasoline tax), the principle may be applicable but not on national level because of the difficulty of determining individual benefits. c. Equal treatment of those equally situated-economic equals should be taxes equally but there is a problem with unequals and taxation.	
VI. The Role of Money in the GNP. *Both the expenditure and cost (income) approach to GNP imply the presence of money. Indeed, the whole concept of GNP hinges on either the production of goods and services in terms of dollars or the cost of production of goods in terms of dollars. A. The role of money-there must be some commodity that is acceptable to the public to make payments in order to obviate the alternative to money (which is barter) which has the chief disadvantage of requiring a double coincidence of wants. 1. Medium of exchange-money makes possible the purchasing of goods and services in exchange for money as opposed to other goods or services. Transactions facilitated.		Materials on Money and Banking

00068

STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee C American Capitalism in Action (Cont.)	2. Store of value-money enables one to hold his wealth easily by converting it to money. 3. Unit of account-the use of a common unit of value makes possible an easy comparison of relative values of both goods and services. 4. Standard of deferred payment-borrowing is facilitated by having a standard for future repayment. This is somewhat complicated by the change in the value of the standard (dollar). V. Types of money-money could be anyone of a number of items since it has no intrinsic value and is wanted normally because it represents a command ever present and future goods and services. 1. Currency (legal tender)-currency that by law must be accepted to settle debts. Examples: Federal Reserve notes and metal coins. 2. Demand deposits-checking accounts serve as moneyand are included as a part of the total money supply which is an aggregate of currency and checking accounts. 3. Time deposits-savings accounts which returns the depositer and anterest and can normally be converted to currency on demand unless the amount of savings is extremely large or the bank is in short supply thus necessitating a notice of time before withdrawal. 4. Near moneys-assets which can be converted into currency at any time during normal banking hours. Examples are Government bonds and savings accounts.	

00069

STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee C American Capitalism In Action (Cont.)	5. Liquid assets-assets that can be converted into currency within a few days. Examples are corporate securities, Government securities, and property. C. Types of banks. 1. Commercial- accept both demand and savings accounts (see above). a. National banks-those chartered by the federal government and are operated under the direction of federal statutes. b. State banks-those chartered by a state government and are regulated by a particular state's statutes. 2. Non-commercial institutions-do not accept deposits on demand but do accept savings accounts and make loans to customers. a. Savings and loan associations are the primary examples. b. These may be regulated by either state or federal laws. D. Creation of demand deposits of the multiple expansion of demand deposits-the total amount of demand deposits far exceeds the actual amount deposited in demand deposits.WHY? 1. The expansion of deposit currency operates on the principle that not all money deposited is needed or will be demanded by the depositors at any one time thus making it possible for commercial banks to make loans in excess of actual currency deposited in bank. a. Modern banks deal in debts. b. To make money, banks must deal in debts. c. Modern banking is primarily bookkeeping of entries from one account to another. 2. The expansion process assuming a 25% reserve requirement. a. Commercial banks by law must hold a minimum amount. on reserve; city reserve rate is 16.5% while country banks is around 11%.	

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STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee C American Capitalism in Action (Cont.)	b. The Federal Reserve system determines the rates for nationally chartered banks while states determine the reserve requirement for nonfederal commercial banks. c. The rates can change rather frequently depending on overall economic picture and interpretation of by the federal and state authorities. d. $1,000 put into a demand deposit. e. Table showing the expansion of this $1,000 assuming a 20% reserve requirement.	

$ - demand deposits	excess reserves $ invested(80%)	20% reserve
$1,000	$ 800	$ 200
800	642	160
640	512	128
512	409.60	102.40
etc.	etc.	etc.
totals- $5,000	$4,000	$1,000

f. the acute reader should note that the process leads to a five-fold expansion assuming a 20% reserve requirement.
g. The process leading to an expansion of deposit currency also works in reverse thus leading to a multiple contraction of reserves.
h. The reserve requirement determines the extent to which deposit currency can be expanded theoretically. There are practical limitations as well.
i. The process generally applies to any form of increased spending in the economy.

3. Limitations to Deposit Creation.
   a. Borrower's cooperation-there must be customers of worthy credit that desire to borrow the excess reserves.

00071

STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee C American Capitalism in Action (Cont.)	b. Reserve requirement-the authorities may increase or decrease the reserve requirement of banks, or there may be the possibility of change in the requirement thus affecting bankers. c. Banker's discretion-the managers in charge of the bank may decide to use the $1,000 demand deposit in another manner or limit the amount invested. d. Leakage- if there is an individual who receive a bank loan and does not exchange the loan for a demand deposit, our expansion change is limited. e. Noncommercial bank and other financial institutions- these also deal in debts but such institutions as savings and loan associations, life insurance companies, mutual savings banks, and installment finance corporations do not possess the power to create money. E. The Federal Reserve System. 1. Reason for establishment. a. The National Banking Act of 1863 was inadequate due to: 1) Currency was bond backed but the holder and not the depositor was protected; reserve requirement was higher for city banks than country banks thus leading to country banks putting a large fraction on reserve in the city banks; when things got tight, the pinch was put on the large city banks, particularly New York and Chicago. 2) Currency was inelastic or relatively fixed in amount; in times of stress, no additional currency was available thus precipitating bank panics. 3) When the major banks had to restore their reserves to the legal limit (20%), they would have to call in outstanding loans and quickly dispose of investments; chaos normally resulted since there was no central bank to borrow from.	Materials from The Federal Reserve System

22000

STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee C. American Capitalism In Action (Cont.)	2. Organization of the Federal Reserve System, established by an act of Congress, 1913. a. Board of Governors-consists of seven members appointed by the President on a staggered basis for fourteen year terms; chief policy maker of Federal Reserve policies. b. 12 Federal Reserve Banks-the country was carved into 12 districts, each district having a central bank; each bank was organized by the sale of its stock to member banks which earn a 6% yield on these holdings; the reserve banks, though privately owned, are not operated as profit-making concerns, but to serve the public. c. Federal Open Market Committee-consists of 7 members of the Board of Governors and 5 Federal Reserve Bank presidents; these 12 are in charge of open market operations, a principal tool of monetary policy. Open Market Committee buy and sell government securities and bonds, thereby increasing or decreasing amount of money in circulation. d. Member Banks-all nationally chartered banks and most other commercial banks; each member deals primarily with the Federal Reserve Bank in its district. e. Federal Advisory Council-12 commercial bankers who present the views of the 12 reserve banks to the Board of Governors; power is insignificant. 3. Functions of the Federal Reserve System-act as central banks: a. Keep reserves of Member Banks-the minimum cash requirement held against time and savings deposits; no interest paid on this.	

00073

STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee C American Capitalism in Action (Cont.) Committee C could find out what the present monetary policies are and analyze most recent changes and their consequences.	b. Supplies currency-no rigid limit to the supply of currency and almost all of currency is Federal Reserve notes. c. Member bank supervision-the Federal Reserve System supervises the operations of all members, examines the loans, investments and management of member banks within a district. d. Fiscal agent for the U. S. Government-12 Federal Reserve Banks are the bankers for the government, handling the issuance and redemption of U. S. securities and bonds and checking accounts of the government. e. Clearing House- the system acts as a clearing house where chekcs drawn on out-of-town banks may be collected. f. Rediscounting-a member bank can borrow (rediscount) needed funds from the central bank of that district thus solving the problem of a lender of last resort. 4. Monetary policies of the Federal Reserve System-these enable it to control the supply of money and the availability of credit. a. Quantitative controls-those policies that can alter the reserve position of member banks.	

000744

STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee C American Capitalism In Action (Cont.)	1) Rediscount rate-member banks may borrow from a Federal Reserve Bank in order to improve their reserve position. There is an interest charge, however, known as a discount rate. Lower rates would tend to encourage borrowing while higher rates would tend to discourage borrowing. The Board of Governors determine this rate in light of economic conditions and desired changes. 2) Reserve ratio or reserve requirement-a quick method of changing the money supply is to raise or lower the reserve requirement, a higher requirement would lower the supply of money and the availability of credit since banks would be forced to call in some loans to meet the new requirement, a lower requirement would tend to have the opposite effect. 3) Open market operations-the purchasing and selling of government securities in the open market(determined by the Open Market Committee) to member banks is considered the most powerful monetary tool. As member banks buy and pay for these securities out of cash reserves, they then must replenish them by selling some of their investments or calling in some of their loans. The buying of these securities would reduce the supply of money. If there was a desire to increase the money supply, the Open Market Committee would order the buying of securities from member banks, paying for these by depositing a check in the reserves of a member bank which would then be in excess, leading to multiple expansion.	

52000

STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee C American Capitalism In Action (Cont.)	b. Qualitative controls- directed against specific parts of the money market as opposed to quantitative which affect over-all bank reserves and general credit conditions. 1) Stock market credit (margin requirement)-under certain conditions, stock can be bought on credit from a broker. The amount one must pay down on this type of transaction is known as a margin. The higher the margin, the less the tendency to buy on credit; the lower the margin, the greater the tendency to buy. The present margin requirement is 80%. 2) Installment credit-not in use now but similar to the stock margin requirement above. A person would be forced to pay down the amount determined by the Federal Reserve System. 3) Mortgage requirements-also not in use now but at one time the Federal Reserve had the power to determine the terms of a mortgage down payment and the number of years a mortgage was allowed to run. This gave the Federal Reserve considerable power over housing construction since a lowering of the mortgage down payment would lead to an increase in the demand for houses. A raising of the down payment combined with a decrease in the span of years to repay the loan would tend to decrease the demand for houses. c. Moral suasion- consists of letters written to members warning of speculative loans, etc. Not very effective.	

92.000

STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee C American Capitalism in Action (Cont.)	4. Limitations to monetary controls. a. Expansion of GNP-monetary controls tend to work better for restriction of the rate of growth of the GNP as opposed to expansion (reason-you can't make people borrow money or businesses invest). b. Conflict of monetary and fiscal policies-the Federal Reserve authorities, although appointed by the President with the consent of the Senate, are independent of either or both these in terms of policy-monetary policies may conflict with fiscal. c. Often a lack of coordination of policies between or among branches or administrative departments. VII. Fiscal Policies-the use of government taxation and expenditures to deal with business cycle problems, fluctuations in national income, unemployment, and inflation. 1. Automatic stabilizers-policies that operate without additional decisions by the Congress or the President. When economic activity is declining, the built-in or automatic policies operate to increase disposable (after taxes) income, mitigating the fall in national income and employment. a. Savings-during prosperity, there is a rapid increase in both personal and corporate savings which tends to moderate inflation. These savings later will tend to moderate a decline in consumption, thus preventing depression.	

27000

STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee C American Capitalism in Action (Cont.)	b. Changes in tax receipts-tax revenues of the federal government tend to fall automatically when national income declines, thus making possible greater consumption. An increase in consumer demand will raise national income and employment. Consider the effect of the accelerator and the multiplier here. Tax revenues automatically rise during inflationary times which tend to discourage excessive consumer and business expenditures. c. Unemployment insurance-unemployed workers receive payments from compensation funds made possible by their individual and employer contributions. This insurance helps to maintain a relatively high degree of consumption for a while. In boom times, the funds collected for the insurance tends to moderate slightly excessive spending. d. Farm subsidies- when farm prices fall, the federal government increases its payments to farmers, cushioning a decline in their incomes. During boom periods, the government subsidies tend to diminish. 2. Discretionary policies-due to the limited effectiveness of the automatic stabilizers, other policies, requiring action by the President and/or Congress, have been developed. a. Changes in tax rates-a reduction in personal and corporate tax rates would tend to increase disposable income and subsequently consumption and private investment. Increases in these tax rates would tend to dampen inflationary tendencies. Problem of politics here!	

82000

STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee C American Capitalism in Action (Cont.)	b. Budget surpluses and deficits-the business cycle, characteristic of economics based on capitalism, can be fought by a countercyclical policy which promotes a surplus during inflationary periods and deficits during times of rising unemployment. c. "Pump priming"-increasing public expenditure for public works programs (road construction, bridges, etc.) in order to take up some of the slack in the unemployment. Such programs are generally financed by budget deficits which may tend to cause inflation after the recession. Programs would be planned well in advance and provide immediate benefits. d. Transfer payments-changes in veteran benefits, social security programs, farm subsidies, etc., in order to offset the business cycle. Political considerations very important in all these changes. 3. The doctrine of the "new economics"- a modernized and computerized version of the Keynesian economics first stated during the Depression of the 1930's. a. A basic premise is that government planners and thinkers can assure perpetual prosperity by managing a nation's economy. b. If things needed speeded up, planners cut taxes, increase government spending, and tinker with money policy to make money abundant, credit easy to get, and interest rates low. c. If things need to slow down, the planners raise taxes, reduce government outlays, and tighten money and credit.	

62000

STRATEGY		CONTENT	MATERIAL
V. Information Retrieval Committee C American Capitalism in Action (Cont.)		d. The above described policies are aided by the computer to calculate the "potential" of the U. S. economy in terms of growth and jobs. National policy is then supposed to be directed toward the realization of the "potential".	
	VIII.	Review of the features of the U. S. Economy.	
		A. Economic Freedom-within limits, there is economic freedom which makes possible for a large percentage of the fundamental economic questions to be answered by private decisions.	
		1. Consumer freedom-exists in various degrees, depending on the product or service. Only in some markets is the consumer completely sovereign because he is limited by the degree of competition, advertising, and his own income and tastes.	
		2. Occupational choice-there are no formal slaves in our system and there is generally a good deal of latitude in terms of occupational choice. The limits to choice are found in the area of training, need of a particular skill or service, and employment practices that are discriminatory in terms of race, religion, or ethnic background. Unions also place severe limitations on entering certain crafts.	
		B. Private Ownership of Property-generally, most of the tools of production are owned by privare individuals or corporations. There are legal limits to the owning and the use of the property, however, (monopolies, zoning codes).	
		C. Competition-competition exists but in an imperfect manner. See III-B-2 for a discussion of the nature of competition.	

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ATRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee C American Capitalism in Action (Cont.)	D. Modified Market Economy-because not all economic decisions are made freely in the market, and due to the tremendous and increasing role of the U. S. Government in the nation's economy, one should describe our system as a modified market or modified free enterprise system. Some authors also use the term "mixed" economy to designate our system. E. Specialization-a basic part of the American economy due the emphasis put on mass production. The division of labor tends to promote greater output. F. A Highly Developed Credit and Money System-an elaborate division of labor economy requires an extensive monetary and credit system. G. The Role of Government in Economic Life in the U. S.-major policy and political questions in the U. S. often center on whether or not the role of the federal government in economic affairs should diminish or be extended. Obviously in our economy, the public sector (government) plays such a tremendous role in answering the basic economic questions. 1. Money-the basic unit of account to facilitate economic life is determined and standardized by the government. 2. Standards and units of weight and measurement-to prevent chaos, the government determines these. 3. National defense-the only level of government capable of providing this is the federal government. Defense expenditures account for about 1/2 of the total budget. 4. Public services- the government provides services that are beneficial to the public but provide no profit or return to the government directly. These would include lighthouses, the administration of justice, weather bureaus, etc.	

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STRATEGY	CONTENT	MATERIAL
V. Information Retrieval Committee C American Capitalism in Action (Cont.)	5. Maintenance of competition-although the U. S. economy is highly imperfect in some areas, there are areas in which it is necessary for the government to keep constant vigilance in order to preserve any degree of competition. 6. Welfare benefits-some people in our society are deprived by racism, discrimination, lack of education and training, illness, etc., and would starve or be economic waste to the society if the government did not attempt to help through relief payments, unemployment insurance, minimum wage legislation, food stamps, etc. 7. Conflict of interest-if management and labor cannot or will not settle their differences, it is sometimes necessary for the government to step in and assist in a settlement, particularly if the industry affected is a vital one to the general public. 8. Prosperity and depression-business cycles seem to be inherent to systems based on private enterprise. Viscious cycles from boom to bust (and their social as well as economic consequences) has led the government to adopt policies which control these fluctuations. H. Interdependence of Man-The operation of the modified market economy, the degree of specialization, the complexity of economic decision-making, and the increasing role of government makes man highly interdependent in our economy.	

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STRATEGY	CONTENT	MATERIALS
V. Information Retrieval Committee D American Democracy in Action	THE AMERICAN REPRESENTATIVE DEMOCRACY IN ACTION	Bailey--How Congress Makes a Law. (Most college texts have sections on Employment Act and its significance.)

I. Basic Political Questions
   1. Who makes the rules?
   2. To whom are the rules applied?
   3. What is the process of rule adjudication?
   4. What are the limits of political power?
   5. What (which) political ideas are institutionalized?
   6. How are political and social ideas articulated?

II. Basic Political-Economic Questions--the preceding content on economies should illustrate:
   1. that economies, as a discipline, is concerned primarily with how a society answers basic economic questions
   2. in answering these questions, there is an increasing role of government, particularly the federal government
   3. that a person cannot clearly understand even the basics of our economic system without some understanding of government and how it exercises its power in the political sphere in relation to answering economic questions
      a. To what extent should the government intervene in the economy in order to promote economic equality? to eliminate poverty? etc.
      b. Are there "acceptable" levels of unemployment?
      c. Should (can) inflation be controlled? Is there an acceptable level of inflation?
      d. What policies should be adopted by government if there is conflict between economic and political principles or policies?
      e. To what extent should business and labor policies be regulated within the democratic context in order to promote various economic-political goals?

III. The Bridge between Economies and Politics: The Employment Act of 1946
   A. Historical Background
      1. A decade of depression(1930's made clear the inability of the economic system to correct itself without positive government action. At least the consequences of government inaction were not acceptable to a vast majority of Americans

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STRATEGY	CONTENT	MATERIALS
V. Information Retrieval Committee D American Democracy in Action	2. The New Deal legislation of the 1930's was not extremely successful because of inexperience and haste. It, however, provided some insight as to future policies or programs that the government might adopt. 3. There was considerable fear of the aftermath of problems related to converting to a peacetime economy following WW II. B. Purpose of the Employment Act of 1946 1. Original purpose--the government was to be directly responsible for maintaining full employment by planning the federal budget to take up slack resulting from the return of servicemen from WW II. 2. Purpose of the act that passed--declared that it was the government's policy to use measure to promote maximum employement, production, and purchasing power. C. Provision of the Act 1. Council of Economic Advisers (CEA) set up a. appointed by the President with the consent of the Senate b. members of the council to be exceptionally qualified to analyze and interpret economic developments and to appraise programs and activities of the government in light of the provisions and objectives of the Act. 2. Requirements of the President a. to make an annual "Economic Report" within sixty days of the beginning of each Congressional Session b. The "Economic Report", as prepared by the CEA, outlines the current state of the economy, its prospects, and any recommended legislation 3. Limitations of the Act a. the Act does not guarantee full employment but promises conditions that are favorable to full employment b. the means to accomplish this objective are limited by the government's responsibility to preserve a freely competitive economic system 4. Joint Committee on the Economic Report (Congressional Committee) a. members are to consist of seven Senators appointed by the President of the Senate and seven House of Representatives members appointed by the Speaker of the House	

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V. Information Retrieval Committee D American Democracy in Action	b. function of the Joint Committee --make a continuing study of matters related to the Economic Report --study means of coordinating programs in order to further the policy of the employment act. --file a report with the Senate and the House containing its findings and recommendations with respect to each of the main recommendations made by the President in the Economic Report 5. Problems related to the Act a. meaning of full employment --the Act did not specifically define --"full employement" is generally interpreted to mean that no more than 4% of the total civilian labor force is unemployed (government agencies make interpretation) --rationale of the 4%--there are some people quitting jobs, being discharged from jobs, seasonal employment jobs, job relocation, etc. --"full employment" pertains to more than people employment; it also means full utilization of our natural resources, technology and science. b. challenges in maintaining full employment --the problem of full employment is constantly aggravated by record annual additions to the labor force and the occurence of job displacement as a result of scientific and technological advancements. --special problems for minorities, untrained youth, the elderly, the physically handicapped, the ill. --problems maintaining full employment in 1949, 1953--54, 1958, 1960-61, 1969--70. --problems further complicated--"excessive" inflation in 1949, 1951-53, 1967-70 IV. Economic issues that create political controversy A. An interpretation of how the economy is actually working 1. the role of the individual in a political democracy in relation to economic problems a. interdependence of our society and the extensive role of government forces the individual to take positions on public economic policy	

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b. failure of the individual to take a stand is implicit approval of the government's position
c. individual is in a dilemma because he does not have the technical knowledge to make his own studies and decisions yet he is exposed to statements made by organizations and politicans which often lead to conflicting conclusions
d. common sense and personal experience do not adequately prepare an individual to make decisions on public economic policy.

2. Questions on causes of unemployment, rate of economic growth potential, inflation, etc., are not purely factual questions but relate to theories of casual relationships and interpretive analysis.
a. economists may differ on fundamental assumptions about the structure of the economy or the characteristics of economic behavior.
b. short run problem of settling technical disputes conclusively
c. economists have personal philosophies and values which would influence their recommendations on solving economic problems.

B. Economic policies in light of idalogical arguments related to how the economy ought to be.
1. policy issues become the focal point for clashes of doctrinaire positions
a. is government health insurance socialistic?
b. can capitalism provide social justice?
2. idealogy can perform a useful function in discussion of policy programs by providing consistent and simplified views of what is generally desireable in man's economic life
a. idealogy is only a starting point for the discussion

C. Political economy questions--particular economic problems and possible solutions
1. powers of labor unions--should they be curbed?
2. tariff protection--should protection be given to a particular industry on request?
a. root of the controversy lies in their difference in individual or group objectives and interests.
b. economic change often moves ahead of the process of social adjustment creating tensions of our political economic life.

STRATEGY	CONTENT	MATERIALS
V. Information Retrieval Committee D American Democracy In Action	V. Voter behavior tends to limit the representative nature of American democracy. A. Apathy 1. 67% of eligible voters has been a maximum percentage for the electorate even during presidential election years. 2. during "off-year" elections, particularly at times of non-congressional elections, the percentage voting is much less than 67%. 3. primary (nominating elections) elections are often accorded participation of less than 50% 4. voting behavior varies with areas, districts, type of candidates, nature of offices being filled, degree of interparty competition, etc., B. Causes of apathy 1. indifference or the feeling that the election results are not influenced by the voter, and/or the results do not influence the life of the citizenry. 2. inadequate knowledge of candidates, issues, election laws, etc. 3. residential, age, registration, and other requirements that tend to make voting a chore, at least in the eyes of many voters 4. "blanket ballots" which limit, even the highly concerned voter, making rational choices a. number of offices filled may number 30 or more b. competitive primaries may confront the voter with fifty or more names to consider c. numerous and often complex constitutional, referendum, initiative, or tax issue. 5. lack of competitiveness between the parties a. some areas or regions are monopolized by one party b. factionalism within the parties may confuse and frustrate the voter c. voter sees no clear difference between the parties or candidates C. Other reasons for voting behavior 1. restrictive or discriminatory laws a. literacy tests improperly administered b. residential requirements applied to certain groups to limit the degree of their participation.	

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STRATEGY	CONTENT	MATERIALS
V. Information Retrieval Committee D American Democracy in Action	2. laws that take away the suffrage rights of the criminal and insane 3. cheating practices of election officials a. tomb-stone voting b. abuse of the absentee ballot c. control of local political bosses VI. The Role og Governmental Insitutions in the Economic Process A. rational for focus on national institutions as opposed to state and local 1. monetary policies only subject to national control 2. fiscal policies of the federal government is usually an attempt to manipulate taxation and spending in order to promote national economic goals (growth and stability) 3. coordination problem of thousands of legislatures and layers of governments in our federal system 4. although state and local government expenditures have increased faster than national since WW II, the combined total is only roughly ½ that of the federal government 5. national fiscal policy may be designed to redistribute income (a federal program may involve the transfer of income from the wealthier states to the poorer) B. Congress and Representation 1. Who should a legislator represent? theoretical roles of the legislator a. delegate theory--the legislator is chosen to legislate the wishes of his constituency. Problems of determining the exact wishes of a constituency. b. Burkean theory--being elected to a representative position is an expression of confidence in the candidate and his views which he should exercise in the legislative process c. broker theory--the legislative process is seen as a conflict between interests; the representative's role is to accomodate conflicting interests. d. party responsibility--the party (leaders) determine the policies and the legislator votes party lines. e. errand-boy function--a legislator does favors (on request) for his constituents. These include tours of the capitol, appointments to positions, assistance in running down a lost social security check, etc. In reality, a national legislate uses up to 50% of his resources (time, money, staff) in running errands.	

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V. Information Retrieval Committee D American Democracy in Action	**Studies show that a congressman tends to fuse the roles. Most legislation is not controversial and is of little immediate concern to a constituency. Consequently, making it possible for the legislator to exercise his discretion without fear of repercussions at the polls. The congressman is not very "visible to his constituents. Few people other than some interest groups and possible political opponents or leaders of the opposing party keep tabs on him.	

2. The Basis of Representative in the Congress
   a. House of Representatives--a result of the Great Comprise at the Constitutional Convention of 1887.
      --population is the basis of representations of the 435 seats, the number of which is determined by congressional act.
      --all 435 seats are filled every two years
      --after each census, Congress reapportions the seats on a quota arrangement
      --a state must have at least one member in the House of Representatives regardless of the size of the state's population
      --additional seats are apportioned to a state in accordance to its population
      --members are elected from districts drawn by state legislatures
      --the drawing of political boundaries is subject to abuse either in the form of malapportionment (now limited by court decisions) and/or the more subtle gerrymanderer which can take several forms (noncontiguous districts, districts that are relatively uncompact, districts so drawn to represent a special group disproportionately)
      --malapportionment--a district has either too many or too few residents in terms of other districts that elect the same type of legislator. The concept of "one man-vote" is violated.
      --gerrymandering--the drawing of political boundaries in such a manner as to unfairly benefit a particular party or group. The process does not necessarily violate the letter of the "one man-vote" concept but it violates the spirit of the concept.

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STRATEGY	CONTENT	MATERIALS
V. Information Retrieval Committee D American Democracy in Action	b. the Upper House of the U.S. Congress, the U.S. Senate --equality of states is the basis of representation--two members from each state. A product of the Great Compromise also. --Senators were originally appointed by state legislatures but the process was changed to direct election by the public by the 17th Amendment --the Senate was intended to represent the interests of the states while the House of Representatives was to be representative of the people. In some respects, the Senate represents the wishes of the people (due to large urban areas exercising great influence on the election of senators and the effect of the six year term which tends to free the senator from the task of running for election every other year) while the House is the bastion of local and state interests. --"blee-voting" by groups can influence greatly the outcome of both House and Senate elections in districts and states where there is competitive politics 3. Organization of the Congress a. Senate officials --President of the Senate-the Vice President of the U.S. He presides over the Senate but has not vote unless in case of ties. --President Pro tem--honorific position, often granted to the oldest majority party senator in terms of tenure --majority leader--chosen by the majority party and he occupies the single, most powerful office of the Senate. This officer is highly involved in the legislative process, but his leadership power is based on custom. Significant power can be exercised by use of persuasion and influencing committee assignments. --minority leader--spokesman for minority and its members. He tries to promote collective action of the members of his party in order to exert maximum influence while in the minority. b. House officials --Speaker-officially chosen by the total membership but in reality he is chosen by the majority party in caucus and the vote is purely on party lines. The Speaker is highly involved in the legislative process and works to facilitate his party's program. He possesses	

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V. Information Retrieval Committee D American Democracy In Action	the power to rule on parliamentary questions, assign bills to committees, recognize members and appoints select and conference committee members. Formerly, the Speaker had the power to appoint all committee members as well as the members of the important Rules Committee. --Floor Leaders--each party elects persons to take a leading part in determining the party positions on important legislation. Floor leaders, along with whips, try to round up their respective party members for important votes on legislation or procedural moves on which the parties have taken a stand. --Whips-in addition to the function described above, the whips serve a two-way communication between party leadership and party members. c. Standing Committees--based on the reorganization act of Congress, 1946 --number of committees--17 Senate; 20 House --importance of Committees --most of the law-making function occurs in the committee; most bills die in committee --ranking of committees--three most important House committees are Appropriations, Rules, Ways and Means; three most important Senate committees are Foreign Relations, Appropriations, and Finance. --Chairman of committee-chosen on the basis of seniority(length of time served on that committee) from the majority party --committee assignments--party strength on a committee somewhat reflects the party strength in that particular house. Assignment to a particular committee is extremely important because the individual member can make his greatest contribution and render service to his district or state (such service goes a long way in determining a member's reelection). Both parties use committees composed of party leaders to make committee assignments. The Democrats use the House Ways and Means Committee and a steering committee in the Senate. The Republicans use a Committee on Committees in both houses. The appointments are subject to party caucus approval. --criteria of committee assignments--(1) does the member request an assignment (2) is there a vacancy on a committee for a particular party (3) do other members of the same party request that assignment, particularly more senior members (4) would a particular committee assignment help a member	

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V. Information Retrieval	to get elected again (5) does the member have expertise or skill that would enable him to do a good job on a particular committee	
Committee D American Democracy in Action	4. How Congress Passes a Bill (simplified) a. a consideration of context of influence --Administration-does the president want legislation in a particular area? Has he (will he) use his personal influence --Majority Party of Congress--does the leadership, either by personal or institutional means, indicate a position on the possibility of legislation in a particular area? --Lobbyists (interest groups)-has influence been made, either by personal contact, contributions, patronage, hearings before Congress, mail, etc.? --news media-how does the media report on congressional developments; what does the media report as important in terms of legislation? --public opinion-is the American public desirous of legislation in a particular area? How would they react? How close to elections? --world developments--conditions may necessitate action in a particular area b. one or several members introduce a bill c. bill is referred to the appropriate standing committee d. if a majority of the committee, particularly of the majority party and chairman favor the proposed legislation, there follows research and hearings. The committee may pigeonhole the bill or report it out favorably or unfavorably in the original or amended forms. Most bills are pigeonholed and are not even researched. e. Rules committee--out of committee, the bill goes, in the House, to the Rules committee which has life or death for most legislation. The Rules committee has the power to speed up or slow down a bill by advancin it on the calendar (agenda) or leaving it in order. Also, the recommendation made on rules applicable to a bill are important. The Senate does not have a formal rules committee and the decisions made to the policy committee of the majority party are not as influential as the House Rules committee.	

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f. House (or Senate) debate, if passed, on to the other house.
g. the bill goes through a similar process in the other house.
h. If the bill emerges in an amended form from the other house, the bill must go to a conference committee to iron out the differences and then it must be re-submitted and pass both houses in identical form.
i. to the President for approval
j. If the President approves, the bill becomes law; if he vetoes the bill, a 2/3 vote of both houses necessary to override
k. possibility of a lawsuit contesting the constitutionality of a law. Court action involved and the power of judicial review comes into operation.

5. Procedures and Aspects of Congress subject to much criticism
   a. seniority system--the criticism is that such a process rewards those from safe districts or states simply on the basis of longevity; no consideration of ability is made and party responsibility is weakened.
   b. filibuster--the practice of the Senate that provides for extended "debate" on any topic, subject only to a 2/3 vote of that house. Action by the Senate, particularly on controversial issues such as civil rights legislation, can be blocked or altered because of fear of a threatened filibuster.
   c. House Rules committee--its power to determine order of consideration of bill gives it power of life or death over much proposed legislation
   d. committee chairmanships--the procedure of selection (seniority) as well as the power of a chairman in terms of determining the order of business of his committee leads to the abuse of power, particularly if the chairman disagrees with particular legislation.
   e. the establishment (or inner circle)--it is alleged that those that make the committee assignments (leaders and often senior members of both parties) reward or punish particular legislators or parts of the country with choice or horrible assignments.
   f. lack of responsible party operation--due to procedures, members can go their own way without fear of extensive punishment from their respective party leaders . This leads to a breakdown of a party's program.

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STRATEGY	CONTENT	MATERIALS
V. Information Retrieval Committee D American Democracy In Action	g. the influence of gerrymandering and malapportionment--are people properly represented in Congress as a result? h. lack of cooperation between the legislature and the executive--the operation of the separation of powers may make one or both branches overly jealous of its power and function, particularly if the presidency is held by one party and the Congress controlled by the other. **all of the criticisms listed above tend to work against the more liberal element of Congress and the passing of controversial laws. 6. Probability of Major Congressional Reforms limited due to: a. undisciplined nature of political parties b. jealousy of branches of government stemming largely from the separation of powers arrangement c. congressmen are usually more concerned with winning elections than promoting reforms, especially if the reforms jeopardize a legislator's position or the reform is controversial or may promote controversial legislation. d. there are differences of opinion over the need for reforms e. within the parties, there are strong differences on major issues. The parties are not organized along idealogical lines. 7. Legislative Powers of Congress a. expressed powers--lawmaking in certain areas is expressly stated in the Constitution, Article I, Section 8, Clauses 1-17. The taxations power and the commerce power have become the two most important expressed powers. b. implied powers--results from Clause 18, Section 8, of Article I of the Constitution. Both Congress and the courts have relied heavily on this clause in upholding the constitutionality of acts. 8. Non-legislative powers of Congress a. amending the Constitution, subject to state approval b. electing the President and Vice President in case there is no winner under the operation of the Electoral College c. impeachment power over federal officials d. representing constitutency interests before the Federal government by trying to solve individual or group problems	

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STRATEGY	CONTENT	MATERIALS
V. Information Retrieval Committee D American Democracy In Action	e. punishing fellow Congressmen by censuring, excluding, or expelling them for activities detrimental to the nation f. informing or education the American public g. investigating persons, industries, activities, etc., through the committee system to see what laws are needed to make the nation function better h. advise the executive branch on such matters as foreign policy or the appointment of Federal officials, certain of which must be approved 9. How does Congress influence the economy? a. all formal statutory laws must be passed by Congress b. all appropriations must be approved by Congressional act c. the bureaucracy is set up and regulated by Congressional act d. regulations of business and business practices e. power granted to the President by Congressional actions f. modifications made by the Congress in the proposed budget. 10. A Case Study of Congress in Action: The Employment Act of 1946 **See part III of this section on the American Democracy in Action for content. VII. The Presidency A. Method of Election 1. Electoral College a. electoral votes allocated to states on basis of number of members of the U.S. House of Representatives plus two for the number of U.S. Senators. b. popular vote of an individual is a vote for a slate of electors pledged to vote for a particular presidential candidate c. the slate of electors that get a majority or plurality of popular votes win the right to go to the state capital and vote for the presidential candidate of their choice (one vote per elector). d. almost invariably the electors vote as they are pledged and as the popular vote but only a few states attempt to bind their electors to the public vote e. to win the presidency, a candidate must have an absolute majority of the total electoral vote or 270 of 538 f. in the case of no candidate receiving an absolute majority of electoral votes, the House of Representatives elect the President	

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V. Information Retrieval American Democracy In Action	g. since vice-presidential candidates run on the same ticket as the respective presidential candidates, if there is no electoral presidential winner, there is no vice-presidential winner and the Senate is charged, by the Constitution, with the responsibility of electing a vice-president on the basis of one vote per Senator, an absolute majority (51) of 100 is necessary to win 2. Faults of the Electoral College a. a minority popular candidate can win a majority of the electoral vote and become president b. there would be a constitutional crisis if no candidate wins outright c. method denies the one-man-one vote concept (some votes are worth more than others) d. method puts an emphasis on swing votes as well as on the states with a large electoral vote e. method tends to promote the nomination of candidates from large states or special regions of the country f. procedure is an anachronism for the 20th century democratic politics 3. Nomination Procedure a. nominating conventions called for the expressed purpose of nominating presidential and vice-presidential candidates b. the national committees of the major parties make the arrangements for the convention c. the presence of a limited number of presidential preference primaries and the process by which state parties choose their delegates tends to promote the candidates that are wealthy or have access to the wealthy d. the candidates chosen may be the products of compromise and political deals in order to satisfy various states and regions of the country--the candidates may not really represent the wishes of the delegates of the convention e. third and/or minor parties may have conventions also or their leaders nominate the candidates--sometimes the candidates are self-nominated. Third party candidates may or may not be influential in determining the outcome of the election 4. Campaign a. long and tiresome for candidates and the American people.	

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V. Information Retrieval Committee D American Democracy in Action	b. campaigning is terribly expensive, requiring great expenditures for television, radio and the press. c. on a local level, the campaign is conducted on a voluntary basis, often lacking a coordinated effort 5. Suggested alternatives to the electoral college a. simple popular plurality b. 40% plurality and if not majority, a run-off election between the top two candidates c. do away with the electors but keep the electoral vote and allocate on the basis of popular vote of state (winnter-take-all principle to be continued) d. retain electoral votes but use congressional districts as base--the candidate that carries a district gets one electoral vote; the candidate that carries the state gets the two additional votes. A majority of the electoral vote still needed to win the Presidency. e. retain the electoral vote but allocate on a proportional basis to reflect the actual popular vote of a state--a majority of the electoral vote still needed to win the nation's highest office. f. retain both electors and electoral votes but bind the electors to the popular vote results of the respective states. 6. Suggested reforms in the nominating procedure and in the campaign a. national presidential, preference primaries would precede a run-off primary for both major parties. b. reforms in the nominating conventions to make them more reflective and responsive to the members of their parties as well as more representative of the American people c. the campaign would be reduced from roughly 8--9 weeks to 4--5 weeks. d. the major parties would be allocated a certain amount of money to be spent in the campaign e. Television and Radio time would be allocated equally to the major candidates f. problem with campaign and finance reforms stems from the nature of American political parties and the presence of 3rd and/or minor parties.	

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STRATEGY	CONTENT	MATERIALS
V. Information Retrieval Committee D American Democracy in Action	B. Presidential Conceptions of Executive Power 1. Prerogative theorgy/bread constructionist (Theodore Roosevelt)--a view that it was the right and duty of the President to do anything that the needs of the nation demanded unless such action was forbidden by the Constitution of by-laws. 2. Magistrate theory/narrow constructionist (William Howard Taft)--a view that the President can exercise no power which cannot be fairly and reasonably traced to some specific grant of power or justly implied and included within such express grant as proper and necessary to its exercise. Such specific grant must be in either the Constitution or in an Act of Congress passed in pursuance thereof. C. The roles of the President 1. Chief of State a. symbol of American leadership b. constituency is the entire nation c. ceremonial function 2. Chief Executive a. in charge of executing the laws b. chief director and manager of the governmental bureaucracy c. the Executive Office of the President, created in 1939, assists the President in carrying out his executive duties. Now it consists of nine separate bureaus. 3. Commander-in-Chief a. supremacy of civilian power over the military is a major premise of democratic government b. the President appoints all military officers, the chiefs of staff of each of the major services, and the chairman of the Joint Chief of Staff, the civilian secretaries of the branches, and the Secretary of Defense c. although Congress has the expressed power to declare war, the President is in a direct position to undertake actions that may lead to war efforts on the part of the U.S.	

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V. Information Retrieval		
Committee D American Democracy in Action	4. Chief Legislator a. as the responsibilities of the federal government have become greater, the American people tend to look to the president for legislation (legislative leadership) and not to Congress b. sources of presidential legislative power: --Constitution--state of the union message which now usually embodies a number of legislative recommendations --Constitutional power to call either or both houses of Congress into special session --Constitutional power to veto congressional legislation 5. Chief Architect of Foreign Policy a. He is at the center of foreign policy decision-making process b. he combines the power as Commander-in-Chief with his responsibilities for foreign relations c. the President alone has the power to speak or listen as a representative of the nation d. appoints ambassadors and diplomats e. Congress can restrict by refusing to ratify treaties (function of the Senate) or by limiting money for programs 6. Party leader a. the President is not above politics but has the function of controlling and directing his party through control of the national party machinery b. the national chairman of the President's party is chosen unofficially by the President and is his representative at the national headquarters The chairman's task is to obtain committee support for the President and his program. c. prime goal of the President as party leader is to promote party unity to the extent that it will enable him to carry out his legislative program d. patronage, or the providing of jobs to party members, is an important weapon e. the president has very limited influence on party affairs on the local level and tends not to interfere	

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STRATEGY	CONTENT	MATERIALS
V. Information Retrieval Committee D American Democracy In Action	D. An Explanation for the increasing power of the Presidency 1. Increased role of government at all levels in the complex 20th Century 2. The American people demand and expect more from government 3. crises of war or depression in a nuclear context increased presidential power 4. Congress yielded to an increase in Presidential power out of necessity and convenience 5. the President is often more capable of immediate action than a legislature torn by partisanship and localism E. Powers or Functions of the President related to economic policies 1. budgetary powers--the budget (major programs and amounts) is outlined by the President subject to the changes made by Congress 2. policies recommended by the President in State of the Union message or in policy papers sent to Congress 3. veto power over congressional programs and expenditures 4. the President, in charge of the federal executive departments, can adopt many policies and procedures that are difficult to control by the Congress 5. President can express a particular tone in terms of economic matters such as inflation, employment, etc., in an effort to influence public opinion 6. power granted to the President by Congressional act such as wage and price controls 7. jaw-boning--the President tries to achieve a particular objective by public statements, threats, press conferences, etc. F. A case study of the President using his position to promote a particular economic objective--JFK and the Steel Price Hike of 1962 1. Background a. the Administration was in pursuit of policies to promote economic growth while preventing an inflationary spiral b. settlement between the union and industry was affected and was considered non-inflationary c. price hike would handicap the efforts of the Administration to fight inflation d. an undue burden would be put on people with fixed incomes e. price hike would add $1 billion to the annual cost of the country's security program f. the steel industry had encountered no increase in employment costs in three years.	

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g. raw materials for the steel industry were on the decline in price
h. profit rate for steel industry was normal with an anticipated increase
i. time right for reducing, instead of increasing, prices
j. criticized the tiny handful of steel executives whose pursuit of private power and profits exceeds their sense of public responsibility
k. praise for union wage demand restraint
l. implied threat of possible investigation by the Federal Trade Commission and the Justice Department for federal law violations by the steel industry

3. Result of the JFK Press Conference
   a. public opinion motivated behind the President and against the steel industry
   b. steel industries rescinded price increase as a result of the President's action

VIII. The Federal Court System

rationale--only the federal courts system is discussed to any extent because of the influence of the U.S. Supreme Court and other federal courts on economic matters in light of congressional acts and interpretations of the U.S. Constitutions

A. Jurisdiction of federal courts
   1. jurisdiction defined--the power of a court to adjudicate
      a particular type of case
      a. jursidiction as a result of the nature of the subject matter
      b. jurisdiction as a result of the nature of the parties in the case
   2. types of jurisdiction
      a. original--power to hear a case first, commonly associated with trial courts
      b. appellate--power to hear a case on appeal (most important as far as the U.S. Supreme Court is concerned since most cases heard are on appeal)
      c. limitation to jurisdiction
         --congressional acts can write the federal courts out of certain types of cases
         --self-control--the court can refuse to review a case on the grounds that (1) no federal questions in involved (that is that no federal law or the Constitution is involved (2) the issue involves a political question and should be determined by the Congress or the Executive
      d. importance of judicial review

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STRATEGY	CONTENT	MATERIALS
V. Information Retrieval Committee D American Democracy in Action	--defined as the power to review an act of Congress, a state legislature, or the act of the President and determine its constitutionality or unconstitutionality --origin was the Marvury vs Madison case 1803, a congressional act reviewed--Fletcher vs Peek 1810--set precedent for state legislation being reviewed B. Organization of the Federal Courts 1. district lowest of the federal courts a. number of districts is determined by congressional act as well as the number of judges b. selection of judtes is for life (as is the case for most federal judges) or for good behavior c. appointed by the President with the consent of the Senate d. reason for life tenure is to remove the judges from public and political pressures, thus freeing him to exercise his discretion e. impeachment process for federal judges is very cumbersome; very few federal judges have been impeached -- some have resigned at the threat of impeachment f. the number of judges is determined by congressional act after an assessment of court business g. jurisdiction--original for most federal law violations as determined by congressional act. 2. appellate courts a. districts set up to lighten the load of the U.S. Supreme Court--most cases end at this level b. the number of judges vary from three to nine depending on the volume of court business c. jurisdiction is almost exclusively appellate since they hear cases on appeal from the district courts or from quasi-judicial commissions such as the Interstate Commerce Commission and the National Labor Relations Board d. primary concern of the appellate courts--to determine what the law's interpretation of law, was action of lower courts and personnel proper, etc. and not the facts of evidence of the case. Appellate courts do not determine guilt but rather make decisions on procedural errors	

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STRATEGY	CONTENT	MATERIALS

V. Information Retrieval

Committee D
American
Democracy
In Action

e. decision of the appellate courts either upholds lower court action or reverses it. Most cases end at this level

3. U.S. Supreme Court--the highest court in the country
   a. appellate jurisdiction is most important in terms of number of cases (most are heard on appeal and not on original jurisdiction)
   b. number of judges is currently nine but this number can be increased or decreased by congressional act
   c. appointment of Supreme Court justices can become a political-partisan-philosophical issue because the appointments can be designed to bring about a particular philosophy or "balance" on the court
   d. cases decided on basis of a majority of a quorum (as few as 4 and at the most 5 can make decisions) so a switch of one or two justices may cause the "trend" to go in another direction.
4. Special Courts--Congress has created several special courts to deal with particular cases.
   a. Court of Claims--money damages against the U.S.
   b. Customs Court--decisions on tariffs by custom officials can be appealed
   c. Custom and Patent Appeals--handles appeals from the Customs Court as well as decisions handed down by the Patent Office
   d. Tax Court--reviews decisions made by the Internal Revenue Service
   e. Military Appeals--reviews court-martial decisions made by military tribunals
   f. territorial courts--located in Puerto Rico, Guam, the Virgin Islands, and the Canal Zone. These courts apply federal law to the territories and act as federal district courts.

   **like most federal judges, those that are a part of the special courts are appointed by the President with the consent of the Senate
5. Other Federal Court Personnel--Congress determines those positions, terms of office, salaries, duties, etc, and most are appointed by the President with the consent of the Senate.
   a. U.S. Attorney--one per federal court district with the responsibility of bringing action against federal law violators and serve under the supervision of the U.S. Attorney General.

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V. Information Retrieval

Committee D
American
Democracy
In Action

b. U.S. Commissioners--appointed by district court judges to hold or conduct special hearings in order to determine if federal grand jury investigations are necessary
c. U.S. Marshall--carry out orders of the courts (these duties include the collecting of fines, fees, make arrests, hold prisoners, etc.)
d. U.S. Probationary Officers--reports on persons placed on probation by federal courts.

C. State Court Systems
1. Structure tends to parallel federal court hierarchy as determined by state statutes or state constitutions
a. local trial court augmented by special courts to handle particular problems such as traffic violations, juvenile problems, divorce cases, etc.
b. appellate courts--states are carved into districts to facilitate appeals from local courts
c. state supreme court--highest state court but cases may be appealed from state supreme courts to the U.S. Supreme Court if the latter agrees that a constitutional issue is involved or there is a conflict of state and federal laws.
2. Selection of judges on the state level--
a. most state judges are popularly elected rather than appointed (experts on government tend to frown on the election of judges)
b. jurisdiction, term of office, removal, salaries, etc., are determined by state statutes.

D. Case Study of Court influence on economic affairs--Youngstown Sheet and Tube vs Sawyer (1952)
1. background
a. U.S. involved in the Korean War
b. threat of nationwide steel strike
c. discussion and bargaining for months
d. President Truman felt that the strike would endanger the U.S. security and the war effort in Korea
e. on eve of strike, President Truman, be executive order, ordered Secretary of Commerce Sawyer to seize the nine major steel mills involved and operate them.
f. Youngstown Sheet and Tube along with two other steel firms brought suit to enjoin or forbid governmental action

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STRATEGY	CONTENT	MATERIALS
V. Information Retrieval Committee D American Democracy in Action	2. Lower Court Action a. the district judge decided that the action of the President was outside his constitutional authority b. the Secretary of Commerce appealed to the U.S. Court of Appeals in the Distric of Columbia 3. Action of the Supreme Court a. Appellate Court ordered to send record of case to the supreme Court (by writ of certierari) on the grounds that the situtation was urgent and the nature of the case involved a basic constitutional principle (powers of the federal executive) b. In less than 8 weeks (often ittakes two or more years for a case to reach the Supreme Court) the case had been settled and a vital legal questions was resolved. c. by a controversial vote (controversial due to the number of separate opinions written even amongst the majority) of six to three, the Court ruled that the President had exceeded his constitutional authority since there were no laws, according to the Court, that gave the President the power to seize private property in such a circumstance. d. President Truman returned the steel mills to their owners e. Court action created much controversy among constitutional law experts but the case clearly showed how the judicial branch may check the executive branch as well as influence economic affairs. 4. Myriad court rulings on problems related to Interstate Commerce and to the meaning of the general welfare clause of the Preamble provide additional study on court involvement in economic affairs. a. note Article I, Section 8, Clause 3, (commerce regulation), Clause 18 of same Article (necessary and proper doctrine), and the promotion of the general welfare clause of the Preamble	

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STRATEGY	CONTENT	MATERIALS
V. Information Retrieval Committee E Political Economic Problems	Problems of the U.S. political economy I. Business fluctuations and Economic Instability 1. fluctuations are characteristic of the American as well as other economies that are based on capitalistic concepts--there is a pattern historically of expanding business activities followed by contracting business activities 2. phases of the cycle: recession, depression, recover, prosperity 3. the two most undesirable aspects of the cycle are inflation and depression (much of the government's effort of the last twenty-five years is addressed to these aspects of the cycle). 4. the major theoritical explanation of the business cycle is the total demand theory which sees all economic activity reflecting the changes in total demand for goods and services(I.E. GNP=C+I+G+E--see Part IV of American Capitalism in action found earlier in this unit) 5. Reasons for changes in total demand a. changes in consumer spending which is a function (depends on) income b. changes in investment spending--most volatile of the components of the GNP or total demand and dependent on --psychology of businessman --uneven rate of technology advances --variations in investment inventories --time needed to use capital inventories c. changes in government spending--planned feature to achieve particular goals d. changes in foreign spending ***intimate relationship of the four types of spending discussed which tend to create a cumulative effect, either expansionary or contractionary. However, investment spending is the prime causal factor in the sharp changes in total spending. A. Inflation 1. definitions of a. society spends beyond its ability to produce b. general rise in prices caused by an expansion of money and credit 2. Theories of causes of inflation a. demand-pull--the four component or groups of total demand try to buy more goods than the economy is capable of producing, thus pulling prices upward (viewed as the primary cause of inflation historically which has	

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STRATEGY	CONTENT	MATERIALS
V. Information Retrieval Committee E Political Economic Problems	(tended to be a post-war phenomenon) b. cost-push--results from big business and big labor administering prices in an imperfect market economy (one not operating as a result of the impersonal forces of demand and supply) characterized by bilateral monopoly. 3. negative effects of inflation a. distorts investments (changes investment demands to goods that increase in price along with inflation) b. destroys the incentive to save since value is reduced (savings are necessary for capital accumulation which is necessary for economic growth) c. redistributes income in an undemocratic manner since there is no representative voice in the redistribution process d. little people (those of relatively fixed incomes) are hardest hit by inflation --retired persons --fixed income recipients --unorganized workers that cannot strike to increase wages to match inflation. e. inflation tends to benefit the strong and affluent families which can ride the wave of inflation --those that can buy at one price and sell at a higher price --common stock holders, land holders, etc., --members of strong unions which can strike to bring wage increases to match inflation --large business with sufficient control of market conditions to establish prices that offset inflationary costs. 4. How can we measure inflation? a. the government's consumer price index which is an average of prices in a cross selection of cities. b. there are other indices on prices on such goods as wholesale products, food, clothing, etc. 5. Ways to "fight" inflation a. since action (s) by the federal government is largely responsible for inflation, action by the federal government is necessary to correct	

V. Information Retrieval

Committee E
Political
Economic
Problems

--wage and price controls (the effect of which are debatable) which is an attempt to establish ceilings to both wages and prices
--leadership of the President (jaw-boning or attempts to bring controls over wages and prices by voluntary measures by industry and labor).
--decrease in the federal budget, a fiscal policy (problem if there is already unacceptable levels of unemployment)
--increases in taxes, on individuals and businesses (this fiscal policy runs into political/partisan problems)
--monetary policies-increases in interest rates charged to banks, increases in reserve requirements, open market operations or the selling of government securities in order to restrict the amount of money and the availability of credit)

6. Conflict over "creeping inflation"
   a. proponents of inflationary rate of 1-3% as a stimulant to business activities versus those that oppose any inflation because of the fear of galloping or hyperinflation which can destroy an economy.

B. Unemployment (major problems during the recession/depression phase of the business cycle).

1. Measurement
   a. government figures (Department of Labor) on the rate of unemployment
   b. industrial indices of one sort or another
   c. what is full employment?
      --97% of working force employed, or approximately 3% of the working force unemployed which is explained as a result of seasonal employment, job changes, young workers seeking their first jobs, changes in production models, etc. (one must actively be seeking employment in order to be counted as being unemployed in government figures).
   d. problem with unemployment rate (1) it does not show the 1 plus percent of the working force in part time employment because of full time employment not being available (2) 1 plus percent not seeking employment for one reason or another.

2. Economic costs of employment
   a. estimate $75 to $90 billion dollars annually since there is labor being inefficiently used (potential growth rate of the GNP is not attained).

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STRATEGY	CONTENT	MATERIALS
V. Information Retrieval Committee E Political Economic Problems	3. Noneconomic costs (social costs) of unemployment a. loss of skills, self respect, plummeting of morale, etc. b. socio-political unrest as a result of unemployment-potential violence in today's context. c. morale aspects of unemployment problem (these in most need of help are those most hurt by unemployment) --those that receive poor education, no or little vocational skills --physically handicapped or mentally retarded --those that encounter prejudice/racism 4. solutions to the unemployment problem as a result of the business cycle downswing a. monetary policies-increases in money and the availability of credit in order to encourage total spending as a method to take up slack in the unemployment b. fiscal policies-decreases in taxation and budget deficits combined with increase in federal spending for various programs to help those in need c. the government becomes an employer of final resort d. welfare assistance programs for those unable to work	

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II. The Problem of Poverty
A. What is poverty?
1. needs exceed a family's available means of satisfying them
a. determinants of need-minimum standards of food, housing, education, health which the present level of technology requires in order for a citizen to participate fully in the society. The size, age, health, and number of members is important.
b. "need" in terms of income varies from $3,500 to $5,500 for a family of four depending on who is determining need. The income figure is for an urban family of four (for rural families figure 70% of urban need). Income level should be a minimum of 3 times the minimum level of food expenses.
c. number of poor? sources vary but a rough and often quoted figure is 30 to 40 million or 1/5 of the population.

STRATEGY	CONTENT	MATERIALS
V. Information Retrieval Committee E Political Economic Problems	B. Who are the poor? 1. the uneducated and/or untrained (60% of breadwinners of poor families have an 8th grade education or less) 2. nonwhites (large portion of Blacks, roughly 40% as opposed to 15% of the whites). 3. ages (approximately 1/3 of all poor families are headed by a person 65 or over, living on a limited income, social security, or individual savings). 4. agricultural areas of the South and Appalachia (40% of these that are farmers are poor). 5. broken families (families headed by women lacking in skills - ½ of such families). 6. depressed areas (areas that have lost their major industry or the level of production has greatly diminished). 7. migrant workers, Indians, etc. 8. health deficiencies, both physical and mental **the poor tend to be invisible to the mainstream of America; visible primarily in the statistics and exercise very limited political influence. C. Cause of poverty 1. most of those in poverty are a result of social factors stemming from the way economic forces operate: a. rapidly changing technology b. inadequate educational opportunities c. racial discrimination d. industrialization and urbanization **self-perpetuating forces that operate on the cultural and social deficiencies and make it extremely difficult if not impossible for many of those in poverty to ever escape. D. Programs to resolve the poverty problem 1. maintaining full employment in conjunction with tremendous economic growth 2. direct income reinforcement (improvements in Social Security, Medicare, minimum wage improvements in amounts and coverage)	

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V. Information Retrieval

Committee E
Political
Economic
Problems

3. area redevelopment and urban renewal (cooperative efforts of national and local governments in order to wipe out slums and blighted or depressed areas).
4. vocational training (employment services, relocation allowances, etc., combined with program providing educational and vocational training).
5. guaranteed annual income of one sort or another on an annual
   a. credit income tax-proposed by Earl Ralph (credit given against a future income; necessary to establish a break even point).
   b. children, adult, or family allowances or assistance (allowances granted and break-even levels established or minimum income necessary to acquire needs).
   c. negative income tax (government pays the individual if his income is below a certain level in order to raise him out of poverty).

E. Other political-economic problems for possible study:
1. Racism
2. Ecology
3. Growth
4. Competition
5. Consumer protection
6. Monetary controls
7. Military industrial complex

F. Political reforms as possible study areas:
1. Federalism
2. Reforms of Congress
3. Reforms of the Presidency
4. Voting
5. Interest group
6. Political parties and their practices
7. Campaign financing
8. Reform of federal and state judiciaries

00110

STRATEGY

VI. Reporting Committee Findings

SOME SUGGESTED REPORTING ACTIVITIES

The reporting activities listed are to provide possible ways in which the 5 committees can present their research to the rest of the class.

1. Prepare and show (or exhibit) a photographic essay, filmstrip, or movie portraying a local economic problem.

2. Stage a debate for a school assembly on an issue such as the proposed guaranteed annual wage.

3. Report on currently enacted congressional act dealing with an economic matter from the time it was introduced until final passage.

4. Assemble a current bibliography of articles dealing with a contemporary problem such as poverty, unemployment, welfare, etc.

5. Using the "Meet the Press" format, report on the current shape of the economy, trends and problems.

6. Stage a welfare convention illustrating the problems and demands of welfare recipients.

7. Students could prepare a Kiplinger type newsletter for distribution in the community on local economic problems or activities.

8. A State of the Economy could be written and presented to the class.

9. Students could role-play the Council of Economic Advisors and present their proposed solutions concerning the control of inflation.

10. Students can prepare 'position papers' of state political candidates on economic issues.

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STRATEGY	LEARNING ACTIVITIES
VII. Overview	After the committees have reported to the class, time should be allowed to review what has been learned and to evaluate the efforts of the learners. Perhaps the class will choose to consider all the original questions that were raised during the introduction to the unit to determine if all of them have been answered. The major questions will therefore be reviewed and thus a foundation will be laid so that students will be able to go beyond the material studied to arrive at generalizations.
A. To review the questions posed earlier by the class and compare the answers reported by the committees.	
B. To gain a perspective concerning the parts of the unit as well as the broader aspects of it.	Beyond the specific questions raised during the introductory phase, the teacher will need to add some 'big questions', questions which are broader than any specific topic of an individual committee. Some of these big questions might be: 1. How difficult would it be for our government to switch over to a collective form of economy? 2. What are the major economic problems in our society which politicians have difficulty solving? 3. Why is there a discrepancy between theoretical and real capitalism? 4. Why is there a discrepancy between theoretical and applied representative democracy?

00112

STRATEGY	CONTENT
VIII. Generalizations	1. "(In a free system) What things will be produced is determined by the votes of consumers-not every two years at the polls but every day in their decisions to purchase this item and not that."
	2. "With their present specialization of effort and numerous wants, civilized populations are dependent on many and often distant regions for a considerable part of their food, clothing, and other requirements."
	3. "As the capital good became more intricate and expensive, people began joining efforts in owning these means of production."
	4. "The rise of (farm) productivity has constantly decreased the proportion of population engaged in farming, releasing the remainder to live in towns or cities and to work in factories or other lines."
	5. "Factory production brought population congestion."
	6. "One of the basic incitements to violence has been that there was not enough of the world's goods to go around among the many claimants, even with the low standards of living accepted as normal in a given time."
	7. "With few exceptions, the higher the price, the lower will be the quantity sold, and vice versa."
	8. "...the poorer a family, the greater the proportion of its total expenditure used for food."
	9. "The governments of large and complex social orders have always actively dealt with economic behavior."

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STRATEGY	CONTENT
VIII. Generalizations (Cont.)	10. "Each human being is born into a society which is not formless but organized."
	11. "Inherent in the association of human beings in society is the problem of regulating the power of some individuals or groups over others."
	12. "Society can exist only when a great number of men consider a great number of things under the same aspect, when they hold the same opinions upon many subjects, and when the same occurences suggest the same thoughts and impressions to their minds."
	13. "...human society depends upon each person's performing certain tasks in a certain way at the same time that others perform different tasks."
	14. "Social institutions change when human needs change."
	15. "...wherever society exists, man must set up lines authority for the purpose of organizing for the common defense, the administration of justice, and the preservation of domestic order."
	16. "(An important principle underlying all systems of government is) that of willingness to sacrifice for the general good of the group."
	17. "When private property rights are a recognized means to personal security and happiness, men will organize governments to protect these rights."

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STRATEGY	CONTENT
VIII. Generalizations (Cont.)	18. "...individuals and groups oppose vigorously government regulation of their activities, and support vigorously government activities as that directly benefit them."
	19. "The continuing and most inclusive issue of politics is the relationship between the liberty of the individual and the authority of the state or government."
	20. "Out of a situation of social unrest and dissatisfaction, a state of social disorganization, there will arise sooner or later individuals who will lead the sufferers in protest."

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STRATEGY	LEARNING ACTIVITIES
IX. Suggested Culminating Activities	Students should be given the opportunity to devise their own culminating activities. Given a little freedom and some time, they can usually come up with competent and interesting productions. Many of the ideas suggested as reporting activities can be continued, expanded, and/or combined with others to constitute a culminating activity. At the very least, several of the individual committee reports can be linked together via a narrated script.
A. To provide a meaningful review and synthesis of the date of socialism.	
B. To provide opportunity to communicate students' developing insights.	

00116

Bjerk, Gordon C. Private Enterprise and Public Interest: The Development of American Capitalism. Englewocd Cliffs: Prentice-Hall, Inc., 1969

An interdisciplinary approach to the American economic system and its evolution as a solution to the problems of economic and social organization. The assumptions that underlie the power of the state, corporations, labor union, and the individual as citizens, worker and consumer are examined.

Dahl, Robert A. Who Governs?" Democracy and Power in an American City. New Haven: Yale University Press, 1961

The book is essentially an investigation into the political structure of a typical American city (New Haven, Connecticut). The author attempted to find the location of political power. The research revealed that political power, once concentrated in the hands of a few, is now dispersed through all strata of society. The distribution of political resources (money, education, jobs, etc.) is examined in relation to political decision making.

Economics: Program and Resources for Instruction. Grades 7--12. Developed by the Division of Instruction, Columbus Public Schools. Columbus, Ohio.

Some of the content material and suggested activities for the 10th, 11th, and 12th grades, as well as the resource material, could have possibilities.

Editors of Fortune. Markets of the Seventies: The Unwinding U.S. Economy. New York: The Viking Press, 1968

A pessimistic outlook for the 1970's results from research done by Fortune editors.

Galbraith, John Kennedy. The New Industrial State. New York: Houghton Mifflin and Company, 1969.

The author attempts to show how large business firms control consumer markets and behavior, and thereby gain great power which affects political decision making both foreign and domestic, and on the highest level.

Hailstones, Thomas J. Basic Economices. Cincinnati: South Western Publishing Company, 1964

The structure, organization, and operation of our economy are discussed in relation to our social and political welfare and to our standard of living.

00117

Hallstones, Thomas J. Readings in Economics. Cincinnati: South-Western Publishing Company, 1969.

A book of readings designed to make possible the appreciation of economic science to problems, events, and issues that characterize our economic system.

Heilbroner, Robert L. The Economic Problem. Englewood Cliffs: Prentice-Hall, Inc., 1970.

A college level introductory economic text that attempts to bring economic literacy in the areas of economic history, macroeconomics, microeconomics, and world trade.

Hughes, Arthur J. American Government. Milwaukee: The Bruce Publishing Company, 1969
Introductory text that contends that there is a proper relationship between liberty and order.

Janeway, Eliot. The Economics of Crisis: War, Politics, and the Dollar. New York: Weybright and Talley, 1968.

An economic history of the U.S. that considers the functioning of the economy and the processes of finance in terms of the operations of politics and vice versa. Special focus is directed to crisis, particularly war, and how crisis shadows and modifies institutions.

Levy, Leonard W. and John P. Roche (eds.) The American Political Process. New York: George Braziller, 1963

A collection of readings that attempts to show American government as it actually is by bridging ideological shadows and operational substances.

Mark, Shelley M. (ed.) Economics in Action.

A collection of readings on economic issues and economic policy formation.

Martin, Richard S., Reuben G. Miller, and Kenneth E. Boulding. Prologue to Economic Understanding. Columbus: Charles E. Merrill Books, Inc., 1966

An over-view of economics for those being first exposed to the discipline.

McConnell, Campbell R. Economics: Principles, Problems, and Policies. New York: McGraw-Hill Book Book Company, 1966

00118

An introductory college-level economics text designed to introduce, the student to principles essential to the understanding of economic problems and policy alternatives that society may utilize to deal with the problems.

National Industrial Conference Board. The Future of Capitalism. New York: The Macmillan Company, 1967.

A symposium of comments made by education, religion, government, science, industry, and labor. Capitalism and its relation to various phases of society provices the source of comment.

Ruehelman, Leonard I. Big City Mayors: The Crisis in Urban Politics. Bloomington: Indiana University Press, 1969.

A collection of studies on urban politics that follow three lines of analysis: 1) the distribution of authority within the city and the effects of contrlization of authority; 2) the mechanisms by which power is accumulated; 3) the fundamental cleavage between the Anglo-Saxon Protests and immigrants in terms of their views on who should govern. The "best qualified" or those that will serve the community.

Sennholz, Mary (ed.) On Freedom and Free Enterprise. Princeton: D. VanNostrand Company, Inc., 1956

A collection of pre-free enterprise essays discussing political, economic, and philosophical aspects of individual liberty in relation to an economic system based on free enterprise.

Serauf, Frank T. and Charles S. Hyneman. Perspectives on Political Science. Columbus: Charles E. Merrill Books, Inc., 1966.

Book was written to provide the reader with a perspective of contemporary political science as a scholarly discipline.

Soule, George, Planning U.S.A. New York: Dantham Books, 1967

A history of economic planning from Washington to the present. The author attempts to show how economic planning has developed in the U.S., how the controls work, and how planning can be used to promote future prosperity.

00119

Trenton, Rudolph W. Basic Economics. New York: Appleton Century Crofts, 1968

An introductory college-level text in non-technical language

Wagaman, Philip. Guaranteed Annual Income: The Moral Issues. New York: Abingdon Press, 1968

An ethical discussion of the guaranteed annual income and various proposed methods of providing the income--negative income tax, social dividends, family allowance, guaranteed opportunity to earn a living, guaranteed annual wage.

00120

Bailey, Stephen Kemp. Congress Makes A Law: The Story Behind the Employment Act of 1946. New York: Vintage Books, 1964.

An explanation of the nature of the legislative process and the pressures that affect it.

Belknap, Joel R. The Story of Free Enterprise. New York: The Devin-Adair Company, 1963.

A primer of the ideas and values of the American political-economic system. The theory of capitalism in a democratic context is compared to economic systems based on other theories.

Bell, Jack. The Presidency: Office of Powers. Boston: Allyn and Bacon, Inc., 1967

The authors explores the personalities, reactions, decision, and experiences of the men who have occupied the American Presidency. Material is very easy to understand.

Board of Governors of the Federal Reserve System. The Federal Reserve System: Purpose and Functions, Washington, D.C., Government Printing Office, 1961

An explanation of banks, the Federal Reserve System, and monetary policies.

Clayton, James E. The Making of Justice: The Supreme Court in Action. New York: E.P. Dutten and Company, Inc., 1964.

A recounting of the work of an entire term of the Supreme Court.

Committee for Economic Development--Statements on National Policy.

1. A fiscal Program For A Balanced Federalism.
2. Modernizing Local Government
3. Modernizing State Government
4. Budgeting for National Objectives
5. Union Powers and Union Functions
6. An Adaptive Program for Agriculture
7. Fiscal and Monetary Policy for High Employment
8. Distressed Areas in a Growing Economy
9. Guiding Metropolitan Growth
10. Economic Growth in the United States--Its Past and Future

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Council for the Advancement of Secondary Education (CASE) Literary Series. Published by McGraw-Hill Book Company, New York.

1. American Capitalism by Leamer and Thompson.
2. Capitalism and Other Economic Systems by Lee and McCreary.
3. Money in our Economy by Welfling.
4. Business Enterprise in the American Economy by DeRycke and Thompson.
5. Beginning Readings in Economics by DeRyoke and Thompson
6. The U.S.A. in the World Economy by Steinberg.

This series is designed to offer information about different aspects of the U.S. economic system.

Darey, Robert L., and Phillip E. Powell. Manpower and Economic Education. New York: Joint Council on Economic Education, 1968

An attempt to provide material for helping students develop an understanding of the economic process and the role of work in the life of man.

001222

Davenport, John. The U.S. Economy. Chicago: Henry Regnery Company, 1964.

A complementary description of the American economic system and how it operates. The primary thesis of the author is that the role of government is to lay down the framework for economic activity; Progress is to come from the work of free individuals and free associations of all kinds.

Davis, Kenneth S. (ed.) The Paradox of Poverty in America. New York: The H.W. Wilson Company, 1969.

A collection of articles and excerpts on poverty in the U.S. Topics covered include: definition of poverty; the extent of poverty; conditions private and public, designed to attack poverty's causes, and proposed new approaches to the problem.

DeRycke, Lawrence, and Alvin H. Thompson (eds.) Beginning readings in Economics. New York Mcgraw-Hill, 1961

A Collection of readings for those being introduced to economics.

Douglas, Paul H. In Our Time. New York: Harcourt, Brace & World, Inc., 1968.

A discussion of a series of economic issues (tax loopholes, poverty, oil reserves, etc.) of a personal concern to the author.

Ebenstein, William. Two Ways of Life. New York: Holt, Rinehart, and Winston, Inc., 1966

The book is a comparison of the economic and political institutions and procedures of the U.S. And the Soviet Union.

Economic Report of the President. Washington: U.S. Government Printing Office, 1970

As required by the Employment Act of 1946, the President must submit annually a report to Congress of the state of the economy. Included with this report is also the annual report of the Council of Economic advisers.

Editors of Scholastic Magazines. What You Should Know About Democracy--And Why. New York: Scholastic Book Services.

A text designed to illustrate theoretical and practical democracy.

Federal Reserve System's Committee on Education and Publications. Money: Master or Servant? 1955

An explanation of the role of money and banking in our economy

Feier, Richard. Economics for Modern Living. Cincinnati: College Entrance Book Company, 1968.

A book designed for high school economics students. An introductory texts.

Friedman, Milton. Capitalism and Freedom. Chicago: University of Chicago Press, 1962.

The author ties the achievement of economic freedom to the operation of a competitive capitalistic system which would provide the necessary conditions for political freedom.

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Galbraith, John Kenneth. American Capitalism: The Concept of Countervailing Power. Boston: Houghton Mifflin Company, 1956.

This economic classic describes the theory of countervailing power which proposes that in imperfect market situations, particularly oligopoly, the self-regulating feature of competition amongst sellers is superceded by a check on private economic power by the emergence of strong buyers or suppliers.

Harrington, Michael. The Other America. Baltimore: Penguin Books, 1962.

One of the author's thesis is that the welfare state has aided the middle class instead of the impoverished. The result is a vast number of people living involuntarily in poverty yet they remain almost hidden in the affluency of America. Among the poor ar the aged, the Black, the migrant worker, many Appalachia residents, certain agricultural workers and persons whose skills are of no use to a changing technological society. This group of people from a culture of poverty which destroys their aspirations and regenerates the poverty syndrome.

Harris, Joseph P. Congress and the Legislative Process. New York: McGraw-Hill Book Company, 1967.

A description of the organization, leadership, procedures, constitutency functions of members, the committee system, the seniority rule, customs and traditions, control of the purse, and proposed reforms of Congress.

Heilbroner, Robert L. The Limits of American Capitalism. New York: Harper and Row, Publishers, 1966.

The author discusses the nature of business, particularly big business and its fluence on various aspects of American life. The relationships of big business, the military, the professional expert, and labor are also enforced. The expert, and labor are also considered. The "limits" to American capitalism turns out to be the forces of science and technology which are depersonalized and will result in a scienfically organized world which humanity will have to contend.

Heilbroner, Robert L. The Making of Economic Society. Englewood Cliffs: Prentice-Hall, Inc., 1962.

An overview of general economic history. The author traces the development of a market economy from its primitive beginning to its highly complex stage found in the American economy.

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RESOURCES (STUDENTS)

Heltzman, Abraham. Interest Groups and Lobbying. New York: The Macmillan Company, 1966.

A study of interest groups which in conjunction with political parties, constitute the principal avenue outside of official public government through which political power is marshalled and applied.

Hughes, Jonathan. The Vital Few: American Progress and its Protagonists

Eight biographical subjects are used to illustrate the economic development of the U.S. as the author interprets it. Exposure is given to the interplay between the actions of the subjects and the circumstances in which their lives were lived.

Humphrey, Hubert H. War on Poverty. New York: McGraw-Hill Book Company, 1964.

According to the author the root of the poverty problem is the absence of long-range planning. Thru a concerted effort of business, labor and government, and a new direction to federal spending in terms of priorities the poor will be helped to help themselves is a major contention of the book.

Kain, John F. (ed.) Race and Poverty: The Economics of Discrimination. Englewood Cliffs: Prentice-Hall, 1969

A collection of articles showing the factors that are responsible for the economic conditions of American Blacks and the effects of racial discrimination on labor markets, housing, and education. Discrimination and poverty are linked to the economic heritage of the American blackman.

Krinsky, Fred and Joseph Boskin (eds.) The Welfare State: Who is my Brother's Keeper? Beverly Hills, 1968

A collection of readings that explain the struggle for political power that has resulted in the development of a public policy of active government participation in the economic and social life of each American.

Lahr, Raymond M. and J. William Theis. Congress: Power and Purpose on Capitol Hill. Boston: Allyn and Bacon, Inc., 1969

Written in a simple yet lucid style, the authors describe how laws are made as well as to give an historical perspective of the effectiveness with which Congress has discharged its domestic and foreign responsibilities.

Leamer, Laurence E. and Dorothy Lampon Thompson. American Capitalism: An Introduction. New York: McGraw-Hill, 1961.

Levy, Leonard W. (ed.) Essays on the Making of the Constitution. New York: Oxford Univ. Press, 1969.

A series of essays on the Constitution including Board's Economic Interpretation; an attack and a defense of the Beard thesis.

Liston, Robert A. Politics: From Precinct to Presidency. New York: Delacorte Press, 1970.

An examination of behind the scenes of our political processes at the local, state and national level.

Lovenstein, Mene. Capitalism, Communism, Socialism. Chicago: Scott, Foresman and Company, 1962.

A comparative study of economic systems. The author provides a criteria for comparison.

Ott, David T. and Attiat F. Ott. Federal Budget Policy. Washington, D.C.: The Brookings Institution, 1968.

The authors prlvde an explanation of the budget-making process in relation to the achievement of economic goals of full employment, economic stability and growth. Limitations to the use of fiscal policy are also discussed.

Patman, Wright. Our American Government and How It Works. New York: Bantam Books, Inc., 1968.

Thru the use of questions and answers the author describes the operation of the government

Ribicoff, Abraham and Jon O. Newman. Politics: The American Way. Boston: Allyn and Bacon, 1967.

The authors combine the experience of practical politics with the learning of political science in this book about American politics written for American youth.

Robinson, Marshall A., Herbert C. Morton and James D. Calderwood. An Introduction to Economic Reasoning. New York: Anchor Books, 1967

Economic analysis is stripped to its bare essentials.

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Rossister, Clinton. Parties and Politics in America. New York: Signet Books, 1960.

An analysis of the two major political parties of America revealing both strengths and weaknesses within the political arena.

Spadare, Louis M. Economics: An Introductory View. Milwaukee: The Bruce Publishing Company.

An introductory text that covers some principles as well as micro and macro economics.

Stedman, Murray S. Jr. (ed.) Modernizing American Government: The Demands of Social Change. Englewood Cliffs Prentice-Hall, Inc; 1968

A collection of articles discussing institutions and practices of American politics that should be changed to reflect social change.

Talbet, Allan R. The Mayor's Game. New York: Harper & Row Publishers, 1967.

The book is a study of a major of New Haven, Connecticut, and how he battled to reshape his city and made it the pioneer of successful physical and social urban rebuilding.

Ulmer, Melville J. The Welfare State: U.S.A. Boston: Houghton Mifflin Company, 1969.

The book is an attempt at promoting understanding of the nature of the welfare state, and reshaping it so that it will work better.

U.S. Department of Commerce booklet series on economic education. Superintendent of Documents, U.S. Government Printing Office, Washington, D.C.

1. Do You Know Your Economic ABC's?
2. U.S. Balance of Payments.
3. Patents: Spurt to American Progress
4. Profits and the American Economy
5. U.S. Economic Growth
6. Science and Technology for Mankind's Progress
7. Measurement--Peacemaker of Economic Growth

Warmke, Roman F. Life on Paradise Island

The author sets up an economic system on an imaginary island. Complex economic problems and issues are simplified by this work.

Welfling, Weldon. Money and Banking in the American Economy. New York: McGraw-Hill, 1960

Welfbein, Seymour L. Employment, Unemployment and Public Policy. New York: Random House, 1965.

A review and analysis of the employment and unemployment problems of the U.S. in the 1960's and a projection of future unemployment problems. Topics include the causes of unemployment, monetary and fiscal policies, and the role of education and training.

Wright, Emmett Jr., Political Leadership in America. Atlanta: Scott, Foresman and Company, 1966.

An examination of the careers of fifteen prominent American leaders who performed and used various methods to achieve their goals. This book, designed to supplement a study of American history provides valuable insight into American politics.

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